7/990

VOLUME 7

BUDGETING

Reprint including through change 58
(Oct 1990)

NAVY COMPTROLLER MANUAL

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DEPARTMENT OF THE NAVY
OFFICE OF THE COMPTROLLER
WASHINGTON, D.C. 20350

Volume 7 of the Navy Comptroller Manual is one of 10 volumes that are concerned with financial management in the Department of the Navy. Providing an introduction to comptrollership responsibilities in the area of budgeting, it serves as a textbook of principles, policies, and procedures for the information and guidance of those persons in the Department of the Navy whose functions relate to the preparation and administration of the budget of the Department of the Navy.

ELI T. REICH
Deputy Comptroller of the Navy

APPROVED: 2 April 1970
CHARLES A. BOWSHER
Assistant Secretary of the Navy (Financial Management)

INTRODUCTION

to

BUDGETING

PURPOSE

BUDGETING is Volume 7 of the Navy Comptroller Manual. This manual prescribes Department of the Navy budgetary policies, procedures, and technical direction for: the review and coordination of all stages of budget formulation; budget execution, including the continuous review of status of funds with a view to appropriate adjustments; and for the delineation of financial responsibility between components of the Department of the Navy, between appropriations and funds, and between the Department of the Navy and other Department of Defense components or other Federal departments.

AUTHORIZATION

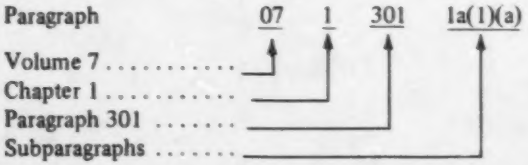
The manual is issued by the Comptroller of the Navy under authority of Navy Regulations, 1973, pars. 0104.3, 0203.4, and 1201-1204 for the information and guidance of all persons in the Department of the Navy. Compliance with the instructions appearing therein is mandatory except in the case of specific authority from the Comptroller of the Navy for deviation therefrom.

RELATIONSHIP TO OTHER VOLUMES

Volume 7 provides a complete description of the budgetary process within the Department of the Navy and a discussion of organizational and appropriation responsibility for funding of particular types of costs or functions. Reference is made to other volumes of the manual when they afford more detailed or supporting information. For example, Volume 1 is cited in connection with comptrollership organization and responsibilities; Volume 2, for complete accounting classification data; Volume 3, for detailed cost assignments; and Volume 6, for appropriation control procedures as related to budget execution. In addition, the Budget Submissions Manual is mentioned as the source of detailed instructions in that phase of budgeting, and the Joint Travel Regulations and Navy Travel Instructions, as the source of detailed entitlement and funding data with respect to travel and related costs.

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system of Volume 7 is coordinated with that of the other volumes of the manual. The 6-digit paragraph number and its subparagraph designators are formulated as follows: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Chapter 1 . . . .
Paragraph 301 . . . .
Subparagraphs . . . .

Reference to paragraphs in the Navy Comptroller Manual in correspondence and messages will be shown in the following manner:

NAVCOMPT Manual, par. 072102
NAVCOMPT Manual, par. 072107-2b(3)(a)
NAVCOMPT Manual, pars. 072107-072110

Paragraphs and subparagraphs may contain itemizations in which case reference to a specific item may be made as follows:

NAVCOMPT Manual, par. 072107-2d(2), item 3

The lowest unit of paragraph or subparagraph breakdown applicable will be used.

TABLE OF CONTENTS

The organization of this volume is such as to make it possible to locate desired information easily by referring to the table of contents in the front of the volume to determine general location, and to the table of contents at the beginning of each chapter for specific location. It is suggested that the reader follow the organization of the table of contents in locating desired information.

PAGE IDENTIFICATION

Page Numbers

The pages of this volume are numbered in a separate series for each chapter. The pages of a chapter are numbered in sequence with Roman numerals for the contents pages and Arabic numerals for the text pages. Each page number is preceded by the number of the chapter; for example, Chapter 2 is numbered: 2-i, 2-ii, etc., 2-1, 2-2, etc. The Introduction and volume Contents pages which precede the chapters are numbered in lower case Roman numerals: iii, iv, etc.

Running Heads

To facilitate finding paragraphs in this volume, each page is identified with a running head. The number in the upper left corner of the left page indicates the number of the first paragraph to begin on that page. The number in the upper right corner of the right page indicates the number of the last paragraph to begin on that page. If a paragraph does not begin on a page, the paragraph number appearing in the upper corner of the page is the last paragraph to begin on preceding pages.

CHANGES

Changes, numbered consecutively, are issued in page form.

When it is necessary to supplement the page changes with explanatory or restrictive information, such instructions are included on the cover sheets. Therefore, users of the volume and/or those charged with its maintenance must read each cover sheet carefully both before following the new procedures and before inserting the new pages in the volume.

New or revised instructions appearing on the pages comprising a change are indicated by a ★ placed immediately preceding the new or revised portion.

Changes to text material which are effective on dates prior or subsequent to receipt of any change will be indicated by a notation in parentheses immediately preceding the caption of the applicable paragraph when the entire paragraph is affected, or immediately preceding the caption of the applicable subordinate unit when only that unit is affected; for example "(Effective 1 March 1981)."

A list of sheets in force in the volume is issued with each change. Pages removed in effecting a change will be retained until after the accuracy of the volume has been checked against the list of sheets in force. In this way, sheets that may have been removed erroneously can be recaptured before discard.

The Record of Changes provided in the front of the volume will be utilized to record data in the appropriate columns concerning the date of receipt and insertion of changes.

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RECORD OF CHANGES

Insert this record sheet in front of Volume 7. It is provided to insure an effective check on the currency of the volume. After effecting each change, enter the required information in the appropriate columns.

CHANGE		DATE REC'D	DATE MADE	SIGNATURE
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NAVSO P-1000-7-58

VOLUME 7

NAVY COMPTROLLER MANUAL

CHANGE 58

Navy Department
Office of the Comptroller
Washington, DC
27 July 1990

Instructions herein, assembled for printing as of 10 July 1990, are issued for the information, guidance, and compliance of all persons in the Department of the Navy and are effective upon receipt unless otherwise indicated.

RICHARD D. MILLIGAN
Director, Office of Budget and Reports

Instructions which have been modified or added by this Change are indicated by a star. However, cross-reference or purely editorial changes which do not change the meaning are not marked. In addition, certain pages are reprinted in this Change for the sole purpose of retiring old changes from the shelves at the stocking point. The following organizational units which have appeared in the Navy Comptroller Manual prior to this Change have been relettered, renumbered, or deleted: 074600-2a and b deleted; 074601-3a, items 1-10 and 3b, items 1-4 deleted; 074602-1a-c and 2a-c deleted; 074725 deleted; 075140-1a and b deleted; 075140-2a-c renumbered 4a-c and new subpars. 2 and 3 inserted; 075154-2 and 3 relettered 2a and 2b; 075154-3a and b renumbered 2b(1) and (2); 075261-3c relettered d; 075261-3d-i renumbered 3c(1) through (6); 075373-5c(3), items a-f renumbered as 1-6; 075373-5c(4), items a and c deleted and items b, d, and e renumbered 1, 2, and 3.

The reprinted sheets attached hereto will be inserted and the corresponding sheets removed.

The cover sheet for Change 57 will be removed and this cover sheet will be inserted in the Volume immediately following the Record of Changes.

There are no concurrent changes on this monthly schedule.

BRIEF OF REVISIONS

Following are the major changes in procedures made by Change 58:

071122. Identifies the Bureau of Naval Personnel as a major claimant for the O&MN and O&MNR appropriations.

074200, 074220, 074241, 074260, 074320, 074360, 074380, 074540. Updates statutory language to be consistent with the latest Appropriations Act.

074201, 074241. Reflects the addition of special operating forces (Program 11) to the list of Major Defense Programs.

074600, 074601, 074602, 075001, 075134, 075141, 075156, 075180. Reflects the consolidation of the Navy Stock Fund and Marine Corps Stock Fund into the Department of the Navy Stock Fund.

074725. Deletes paragraph to reflect transfer of appropriation administration of the Vice President's residence to the Executive Office of the President.

075001. Increases the unit value threshold of the expense/investment criteria from $5,000 to $15,000.

(over)

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075121. Defines funding policy on payment for municipal services.

075140. Establishes funding policy for Marine Corps, Security Force Battalion Headquarters.

075141, 075143. Reflects editorial changes and clarifications necessary to align Volume 7 with changes to Volumes 3 and 4, NAVCOMPT Manual.

075154. Clarifies policy concerning assistance to Government organizations and individuals in cases of disaster or emergencies.

075156. Reflects provision of Armed Forces Commissary Regulations which directs host activity to provide utilities and telephone services to Hawaii without reimbursement.

075180. Clarifies guidance on entitlement to local moves of household goods to include all service members and reflects a change in applicable reference to Joint Federal Travel Regulations.

075216. Differentiates National Defense Reserve Fleet (NRDF) and Ready Reserve Fleet (RRF) funding responsibility.

075261. Clarifies policies on support provided to private organizations, identifies Navy Relief as being eligible for AUTOVON support, and provides guidance related to child care centers.

075371. Establishes funding policy for software licenses.

075373. Clarifies policy on funding for official ship ceremonies.

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The following is a list of pages in force in Volume 7, Navy Comptroller Manual. It is used to verify the accuracy of the Volume (see "Changes" in the Introduction). Missing pages should be replaced by requisitioning the complete change from the Naval Publications and Forms Center, 5801 Tabor Avenue, Philadelphia, PA 19120, by submitting a Single Line Item Requisition (DD Form 1348). Stock numbers may be found in the publication Navy Stock List of Publications and Forms (NAVSUP P-2002), Introduction and Microfiche. Navy distribution of changes to this publication is limited to addressees as listed in the publication Standard Navy Distribution List, Part 1 (OPNAV P09B2-107) and Part 2 (OPNAV P09B2-105), with internal distribution to various codes and offices handled locally. Changes in distribution quantity requirements for Navy activities should be forwarded to Comptroller of the Navy, Publications Section, Navy Department, Washington, DC 20350; requirements for Marine Corps activities should be forwarded to the Commandant of the Marine Corps, Publications Section, Navy Department, Washington, DC 20380.

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CHAPTER 1

BUDGETING IN THE DEPARTMENT OF THE NAVY

PART A: GENERAL

071000 DEFINITION

The budget of an organization is an expression in financial terms of a plan for carrying out the organization program objectives for a specified period of time. The budget is an instrument of planning, decision-making, and subsequent control.

071001 PURPOSE AND EFFECT OF THE BUDGET

1. FEDERAL LEVEL. The Federal budget is a multipurpose instrument which serves its intrinsic function as an instrument for planning, management, and administration of Federal programs, and also vitally influences the nation's economy. The purposes of the Federal budget were once described in a Presidential budget message as follows:

> "A Federal budget lays out a 2-part plan of action: it proposes particular programs, military and civilian, designed to promote national security, international cooperation, and domestic progress; and it proposes total expenditures and revenues designed to help maintain stable economic prosperity and growth."

These aspects of the budget are closely related and cannot be separated at the over-all Federal level. Appropriations and tax laws comprising total fiscal policy of the budget have an economic impact as well as a governmental funding aspect.

2. NAVY LEVEL. In the Department of the Navy, the budget is a major management instrument for planning and control. The Hoover Commission in 1949 stated that "The budget and appropriation process is the heart of management and control of the executive branch." This aptly describes the Department of the Navy budget process which is a disciplined approach to allocate resources after the consideration and evaluation of competing programs and plans at all organizational levels.

PART B: ORGANIZATION FOR BUDGETING

Section I: BUDGET ROLE OF PRINCIPAL HEADQUARTERS COMPONENTS

071100 COMPTROLLER OF THE NAVY

1. AUTHORITY AND RESPONSIBILITY. Pursuant to Title IV of the National Security Act Amendments of 1949 (10 U.S. Code 5061) and Navy Regulations, 1973, pars. 0203.4 and 0205, and subject to the authority of the Secretary of the Navy, the Comptroller of the Navy (hereinafter referred to in this Volume as "the Comptroller") is charged with the responsibility for the establishment of the principles, policies, and procedures for the preparation and administration of the budget of the Department of the Navy (see pars. 011000-011003, 011102).

2. BUDGET FORMULATION

a. Guidance. The Comptroller, through the Office of Budget and Reports (OBR), provides substantive guidance and technical direction for all stages of the budget formulation process. This guidance and direction is derived from several sources, such as congressional direction, Office of Management and Budget (OMB) circulars, Office of the Secretary of Defense (OSD) guidance, as well as Secretary of the Navy (SECNAV) policy, and is provided to all components in a single document known as the "budget call." General technical directions, applicable at the departmental level and cited in the budget call, are published in the current issuance of NAVCOMPTINST 7102.1 (hereinafter referred to in this Volume as the "Budget Submissions Manual") which combines Department of the Navy (DON), OSD and OMB requirements. These directions are modified by means of detailed instructions in the budget call. Components of the DON provide implementing instructions to subordinate echelons as necessary for their review and coordination requirements. Terms and definitions used in the budgetary process are published in the Comptroller General publication "A Glossary of Terms Used in the Federal Budget Process." This document may be obtained by directly contacting the General Accounting Office.

b. Review. The OBR receives the budget estimates compiled pursuant to the budget call. A DON budget review is conducted each year prior to submission of the budget to OSD and OMB. This is an in-depth review of all Navy appropriations and programs to identify problems and realign budget estimates as necessary to improve the overall budgeting of DON resources, and to make necessary adjustments to the DON-approved programs in order to remain within adjusted financing levels provided by the Secretary of Defense. After coordination within Navy and with the Commandant of the Marine Corps to discern and reconcile differences of opinion, OBR makes recommendations to SECNAV for consideration.

c. Completion. The OBR supervises the revision of budget estimates to reflect the decisions of SECNAV and prepares the formal summary submission to the Secretary of Defense (SECDEF) for review. This OSD review is conducted jointly with OMB. OBR staff analysts participate in and coordinate hearings with OSD and OMB examiners involving Navy and Marine Corps appropriations and obtain additional supporting data as required. These analysts also provide leadership to the DON components for the preparation of reclamas to proposed OSD budget decisions. When final decisions of SECDEF and the President are communicated to the DON, they arrange for preparation of the Navy/Marine Corps budget schedules ("salmon sheets") for the President's Budget and for the justifications and other data needed to support the budget estimates before Congress. The OBR directs the budget process during congressional hearings concerning Navy/Marine Corps appropriations by providing appropriate representation, by supplying additional information requested by the Appropriation Committees, and by performing a continuing liaison on all financial matters with the Congress.

3. BUDGET EXECUTION

a. Apportionment. Following enactment of an appropriation, it is generally necessary to submit an apportionment request to OMB and OSD. The basic purpose of the apportionment procedure is to prevent the creation of deficiencies (particularly in annual accounts) by controlling the quarterly obligational rate. The Comptroller guides the preparation of apportionment requests and supporting material, reviews the estimates of the various DON components, and makes the formal submission to OSD. Apportionment requests are reviewed by OSD and OMB examiners, with hearings scheduled as required. The Comptroller's staff participates in the hearings together with cognizant program officials, as necessary, and coordinates the preparation of any additional information required as a result of the hearings or of informal requests from the OSD/OMB examiners.

b. Allocation. Prior to the beginning of the fiscal year, OSD provides to the Department of the Navy a schedule of financial authority (or operating budget for operations accounts) which establishes the control for each appropriation, including any controls at levels below the appropriation total and any other statutory or administrative limitations. Within those controls and limitations, the Comptroller establishes control levels by allocating funds:

1. for the purpose of operations, procurement, military and Reserve personnel costs, and military construction under Navy appropriations to the Chief of Naval Operations;
2. for the purpose of operations, procurement, and military and Reserve personnel costs under Marine Corps appropriations to the Commandant of the Marine Corps;
3. for "Research, Development, Test and Evaluation, Navy" to the Assistant Secretary of the Navy (Research, Engineering and Systems).

c. Continuous Review and Reprogramming. Throughout the course of the fiscal year or the life of the appropriation, the Comptroller's staff conducts a continuous review of financial performance against budgetary plans and programs. If additional funds or other adjustments are required during execution, a request for the change is submitted to the Comptroller by the funds administrator. The Comptroller's office reviews the request and takes action as appropriate to adjust the allocation of resources.

071101 CHIEF OF NAVAL OPERATIONS

1. GENERAL. The Chief of Naval Operations (CNO) is charged with responsibility "for the utilization of resources by and the operating efficiency of all activities under his command." This includes the responsibility to plan for and determine the material support needs (requirements and priorities) of the Operating Forces of the Navy (including aircraft operating costs for Fleet Marine Force units). In addition, CNO must determine and recommend appropriate funding for personnel, including Reserve personnel, of the United States Navy. The CNO, as is the Commandant of the Marine Corps for Marine Corps programs, is specifically responsible for budgeting for the Navy, except when the Secretary of the Navy directs otherwise.

2. PROGRAMMING. The planning required to project the Navy's needs for several years into the future is accomplished through the planning and programming system (see pars. 072020-072023). CNO manages the Navy's participation in the Department of Defense (DOD) Programming System and the related Department of the Navy Programming System. Program sponsors are designated within CNO's organization to prepare, review, and generally monitor all actions which affect their assigned areas of responsibility. Overall coordination and operation of the Department of the Navy programming system is assigned to the Director, Department of the Navy Program Information Center (DONPIC), who as Director of the General Planning and Programming Division (OP-90) performs this function for the CNO for all Navy programs.

3. BUDGETING

a. Formulation and Review. The basis for the annual budget is the Department of the Navy Program Objectives Memorandum (POM). The budget expresses in appropriation format the financial requirements to support approved Navy and Marine Corps programs which were developed during planning and programming within the funding levels provided to the DON by the Secretary of Defense. CNO, acting through the Director of the Fiscal Management Division (OP-92) and with appropriate participation from staff and command components, responds to all Comptroller calls for budget estimates for Navy appropriations. CNO sponsors participate in the budget hearings and the preparation of reclamas for proposed adjustments in both the DON and the OSD/OMB budget reviews. CNO sponsors are also involved in the defense of the President's Budget before Congress.

b. Funding Execution. CNO sponsors participate in apportionment reviews as appropriate. Upon apportionment of appropriated funds and/or the establishment of funding authorizations the Comptroller allocates the major Navy appropriations (other than RDT&E) to CNO as responsible office. The allocations contain such quarterly, annual, or substantive limitations as are imposed by Congress, OMB, OSD, or his own office and are further transmitted by the Director, Fiscal Management Division as operating budgets or suballocations to subordinate echelons to carry out approved programs.

c. Reprogramming. Chief of Naval Operations appropriation and program sponsors monitor the programs for which they are responsible. If reprogramming actions are required to shift funds from one program to another, sponsors work with the Fiscal Management Division in order to accommodate necessary program changes.

071102 COMMANDANT OF THE MARINE CORPS

1. GENERAL. The responsibilities of the Commandant of the Marine Corps for the utilization of resources by and the operating efficiency of Marine Corps activities are parallel to those of the Chief of Naval Operations for Navy activities (see par. 071101-1). These include responsibility to plan for and determine support needs and personnel requirements of the United States Marine Corps. The Commandant, as is the CNO for Navy programs, is specifically responsible for budgeting for the Marine Corps, except when the Secretary of the Navy directs otherwise.

2. PROGRAMMING. The functions of planning and programming for the Marine Corps, from which the budget base is derived, are performed by a staff established for that purpose in the Headquarters, U.S. Marine Corps. The Marine Corps programming effort is coordinated with that of the Navy to effect a total DON input to the Department of Defense Programming System. The Director, DONPIC, coordinates with the Marine Corps Assistant Deputy Chief of Staff (Programs) on all Marine Corps matters related to programming and updating the Five Year Defense Program (see par. 071101-2).

3. BUDGETING

a. Formulation. Headquarters, U.S. Marine Corps, acting through the Fiscal Director of the Marine Corps and with appropriate participation from staff and command components, responds to all Comptroller calls for budget estimates for Marine Corps appropriations. It also provides witnesses at DON, OSD/OMB, and congressional hearings on Marine Corps appropriations and furnishes required justifications and other supporting data.

b. Funding Execution. Headquarters, U.S. Marine Corps provides the documentation necessary to obtain apportionment of appropriated funds and to establish funding authorizations in accordance with prescribed procedures of the Comptroller. The Comptroller allocates all Marine Corps appropriations to the Commandant within limitations established by Congress, OMB, OSD, or by his own office. Headquarters, U.S. Marine Corps then makes funds available to appropriate echelons to carry out its programs.

c. Reprogramming. Program sponsors and Fiscal Director personnel of Headquarters, U.S. Marine Corps continuously review actual against planned usage of resources and make necessary adjustments to provide for new or shifting program emphasis.

4. MARINE CORPS AVIATION FACILITIES. The financial management responsibilities of the Commandant of the Marine Corps also include budgeting for certain base support of Marine Corps aviation facilities under the command of the Commandant. Funding of the related flying hours program is provided from Navy appropriations through the operating forces commanders. Similarly, operation and maintenance of aviation training systems, including aviation weapons range systems, is the funding responsibility of Navy appropriations. Navy systems commands support the appropriate material needs of the Marine Corps and the Navy aviation facilities in equal depth.

071103 ASSISTANT SECRETARY OF THE NAVY (RE&S)/OFFICE OF NAVAL RESEARCH

Responsibility for management of the appropriation Research, Development, Test and Evaluation, Navy (RDT&E,N) is assigned to the Assistant

Secretary of the Navy (Research, Engineering and Systems) (ASN(RE&S)). To assist ASN(RE&S) in the overall management of the RDT&E,N appropriations, the Chief of Naval Research provides the supporting staff services for the coordination and consolidation of budgeting, accounting, and related reporting operations at the appropriation level. The "responsible office" for this appropriation, as listed in par. 022200, is "ASTSECNAVRESDEV (ONR)," which means the Office of Naval Research (ONR) when it is acting in a supporting staff capacity. Other offices, bureaus, or commands that manage assigned portions of the RDT&E,N program are designated in par. 022201 as "administering offices." The ASN(RE&S), through ONR, provides budget guidance to all administering offices, that in turn prepare the budget submission and supporting data for their assigned programs. ONR, as responsible office, coordinates and consolidates the budget estimates and supporting material in accordance with all applicable guidance and budget instructions received from the Comptroller. When the appropriation becomes available, the Comptroller makes allocations to the ASN(RE&S) by program element. ONR, acting as the responsible office, subdivides this allocation among the administering offices in accordance with the program decisions of the ASN(RE&S).

Section II: BUDGET ROLE OF OTHER HEADQUARTERS COMPONENTS

071120 GENERAL

Support for the efforts of the Comptroller, the Chief of Naval Operations, the Commandant of the Marine Corps and the ASN (RE&S) in directing the budgeting and programming processes of the Department of the Navy requires the individual and collective efforts of all Department of the Navy components. Offices, bureaus, and commands perform the essential task of preparing estimates and justification material using input from the Operating Forces, shore activities, and departmental operating officials. During the budget cycle, the headquarters components provide financial and functional expertise support at hearings, prepare documentation for apportionment requests, establish or coordinate required funding at the various organizational levels, monitor monthly and other reports on funds usage, and authorize or forward reprogramming requests to higher echelons.

★071121 MATERIAL COMMANDS

1. SYSTEMS COMMANDS. The systems commands, each under a commander, respond to the program and substantive direction of the Chief of Naval Operations (CNO), and to the technical direction of the Office of Budget and Reports/Fiscal Management Division in the preparation of budget and apportionment estimates for those areas of material support responsibility under their purview and for the operation of subordinate shore activities under their command. They participate in the justification of the estimates for the programs to the extent required by higher authority, carry out the funded programs, and provide first-line administration of allocated funds, reprogramming resources within authorized limitations to obtain optimum utilization within a given period of availability. The systems commands budget and execute programs under the Research, Development, Test and Evaluation, Navy (RDT&E,N), Procurement, Construction, and Operation and Maintenance appropriations.

2. PROJECT MANAGERS. The project manager is responsible for planning, directing and controlling the development, production and deployment of a weapon system or equipment. The project manager is supported by functional organizations, which are responsible to the project manager for the execution of assigned project tasks. Project managers are designated by the Chief of Naval Operations or the commanders of the systems commands. Acquisition projects generally run the full cycle of requirements development, feasibility studies, design, advanced and engineering development, prototype fabrication, integration, test and evaluation, production and deployment. Consequently, the resources available to the project manager generally include Research, Development, Test and Evaluation, Navy (RDT&E,N), Procurement, and Operation and Maintenance (O&M) funds. The project manager is subject to the guidance and constraints of his systems commander and of higher authority. The project manager

is responsible for successful prosecution of the project within limitations of funds as specified by higher authority. Budget formulation and execution procedures relative to the project manager's superior command and the supporting functional organizations vary depending on the particular project and are determined by the systems commands pursuant to guidance received from the CNO and the Comptroller.

★071122 OFFICES AND OTHER COMMANDS

Navy second echelon command headquarters components prepare budget material for all appropriations for which they receive suballocations or operating budgets. The headquarters components which are major claimants to the Operation and Maintenance, Navy (O&MN) appropriation and receive operating budgets from the OPNAV Fiscal Management Division are: the Deputy Under Secretary of the Navy (Policy) (for the immediate Office of the Secretary and staff officers); the Office of the Chief of Naval Operations; the systems commands and the Strategic Systems Program Office; the Naval Education and Training Command; the Naval Intelligence Command; the Naval Medical Command; the Bureau of Naval Personnel; the Naval Oceanography Command; the Commander in Chief, Atlantic Fleet; the Commander in Chief, Pacific Fleet; and the Commander in Chief, U.S. Naval Forces, Europe. Claimants for the Operation and Maintenance, Navy Reserve appropriation are: the Office of the Chief of Naval Operations; the Commander, Naval Reserve Forces; the Naval Air Systems Command; the Naval Facilities Engineering Command; the Naval Sea Systems Command; the Space and Naval Warfare Systems Command; the Bureau of Naval Personnel; the Commander in Chief, Atlantic Fleet; and the Commander in Chief, Pacific Fleet. Each headquarters component establishes accounting and control for each suballocation or operating budget it receives, and performs or requests reprogramming action as financial needs of the organization and its programs require. Shore activities receive their program budget formulation and administrative direction from their parent command.

071123 CENTRAL OPERATING ACTIVITY OPERATIONS

A Central Operating Activity (COA) is maintained by both the Navy and Marine Corps to serve as the focal point within each respective Service for administration of the military personnel (Active Forces) expense authority based on its military manpower programs. Each COA develops composite standard rates by pay grade, applicable to Active Forces military personnel. Those rates reflect on a current basis the estimated obligations under the military personnel (Active Forces) appropriations of the Navy and Marine Corps for entitlements, e.g., military pay and allowances and other personnel benefits. Using the composite standard rates, the Navy COA, under the direction of the Chief of Naval Operations, and the Marine Corps COA, under the direction of the Fiscal Division, Headquarters, U.S. Marine Corps, prepare military manpower operating program data for the Active Forces for use by headquarters components in their presentation of Operation and Maintenance and Research, Development, Test and Evaluation, Navy budgetary exhibits which display military manpower data together with program data.

Section III: BUDGET ROLE OF SHORE ACTIVITIES

071140 GENERAL

Shore activities are an important link in the Navy's budget process. In response to requirements stated by the headquarters or parent organization assigned command, the commanding officer of the shore activity, with the assistance of his comptroller and his department heads, prepares the required estimates of budgetary requirements and administers through effective controls the funds made available to him. The processes of budget preparation and administration also serve the commanding officer in the management and effective utilization of resources. Command organizations have responsibility to provide budget management procedures to the shore activity level.

071141 FORMULATION

Budget formulation at shore activities is premised on program and planning information communicated by the parent command, which is translated into specific requirements for the particular activities. For the budget role of the shore activity, see par. 072102.

071142 EXECUTION

The parent command makes funding authority available to the shore activity to support the approved level of operations. The commanding officer manages his program and organization within the funding limitations, employing procedures and systems established by the Comptroller and/or the parent command as modified to fit the local situation.

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★CHAPTER 2

BUDGET FORMULATION PROCESS

PART A: GENERAL

Section I: DEFINITIONS

072000 FORMULATION

"Formulation" is the term used to identify that part of the budget cycle which includes all the actions performed in the development and review of estimates. The formulation process includes the issuance of program and technical guidance; the estimating of resource requirements to meet the program objectives; the preparation of budget documents and supporting data in the format required by review echelons; the hearings, analyses, and recommendations developed at each level within the Executive branch.

072001 PLANNING, PROGRAMMING, AND BUDGETING SYSTEM

The major processes of the Planning, Programming, and Budgeting System (PPBS) consist of formalized procedures by which strategy is developed in consideration of the threat; force requirements are developed to support the strategy; programs are developed to provide over a period of time the ships, aircraft, weapons systems and manpower for the force requirements; and lastly, programs are reviewed for executability, estimates are refined and funds are budgeted to obtain the required forces and weapons systems.

072002 SCOPE

This Chapter explains the sequence of events in the budget formulation process from the viewpoint of headquarters components of the Department of the Navy, including the formal processes of planning and programming which are integral to the establishment of a sound basis for estimates of budgetary requirements. The budget formulation conducted at the headquarters is part of the Planning, Programming, and Budgeting System (PPBS) of the Department of Defense by which major defense management decisions are reached.

Section II: PLANNING, PROGRAMMING, AND BUDGETING SYSTEM

072020 GENERAL

1. PROGRAM BASE. The program base for budget estimates derives chiefly from the planning and programming segments of the Department of the Navy (DON) Planning, Programming, and Budgeting System (PPBS), which is closely interrelated with the Department of Defense (DOD) PPBS.

2. DOD PLANNING, PROGRAMMING, AND BUDGETING SYSTEM. PPBS is the DOD resource allocation system and is controlled by SECDEF assisted by the Defense Resources Board (DRB) which is chaired by DEPSECDEF. The objective of the DOD PPBS is to identify mission needs, match the needs with resource requirements and to translate the resource requirements into budget requests. At the DOD level, the system produces the Defense Guidance, the Five Year Defense Program (FYDP), and the DOD portion of the President's Budget.

3. DON PLANNING, PROGRAMMING, AND BUDGETING SYSTEM. The DON PPBS is designed to assist the CNO, CMC, and SECNAV in making decisions regarding the allocation of resources within DON. The system produces inputs to the DOD planning process, the DON Program Objectives Memorandum (POM), the DON budget estimates and the DON input to the President's Budget.

4. REFERENCES. DODINST 7045.7, the Planning, Programming, and Budgeting System, describes the DOD PPBS in detail. The Navy

Programming Manual (OP-90P-1E) and the Manual for Planning and Programming (MCO P3121.2D) describe all aspects of the Navy and Marine Corps programming systems, respectively.

072021 PHASES OF PLANNING, PROGRAMMING, AND BUDGETING SYSTEM

1. PLANNING. The planning phase of PPBS is primarily an OSD level evolution with inputs from the Joint Chiefs of Staff (JCS), the Joint Commands, and the Military Departments. The Defense planning process starts with the Joint Strategic Planning Document (JSPD), which is the JCS assessment of national security objectives and policies, DOD objectives and threats, and the resultant optimum strategy to meet that assessment. The OSD staff takes the JSPD and inputs from the CINCs and Military Departments and develops the Defense Guidance (DG) which is SECDEF's guidance stating defense policy, strategy, force, and resource planning and fiscal controls for program development within all DOD components. The JCS strategic planning process is unconstrained as to resources and develops minimum risk force levels. In developing the Defense Guidance, OSD attempts to define a planning force that is fiscally attainable.

2. PROGRAMMING. During the programming phase of PPBS, the DON assesses the status of Navy and Marine Corps programs as they evolved from the previous cycle of PPBS, identifies unresolved issues, and translates the Defense Guidance into achievable packages recognizing fiscal and resource constraints. The product of the DON programming process is the DON Program Objectives Memorandum (POM). The POM is a comprehensive and detailed expression of the total requirements affordable within fiscal constraints associated with the mission and commitments of the DON. The POM is presented as changes to the January FYDP (President's Budget) to update the OSD FYDP data base.

3. OSD POM REVIEW. The OSD staff reviews the Military Department POMs and initiates outlines of proposed issues. The proposed issues are reviewed by the Defense Resources Board (DRB) and a list of "major" issues is approved for study. The selected issues are then developed by a lead office with input from all the staffs of DRB members including the Military Departments. The "major" issues are then combined into issue books and presented to the Defense Resource Board for selection of one of the alternatives in each issue. Decisions proposed by the DRB and approved by the DEPSECDEF are documented in Program Decision Memoranda (PDMs). There is a PDM for each Military Department.

4. BUDGETING. During the budget phase of PPBS, the Military Departments prepare budget estimates and submit them to OSD for review. In DON, we start with the first year of the POM FYDP, as modified by the PDM, as a baseline and review all aspects of the program in detail. This is done to ensure that it is both executable and properly priced as well as reflecting congressional actions, late arriving policy guidance or other data affecting program composition. The resulting budget estimates are forwarded to OSD/OMB as the DON Budget Request supported by a large variety of summary and detailed budget exhibits.

5. OSD/OMB BUDGET REVIEW. OSD and OMB receive the budget estimates from the Military Departments and conduct a joint review. SECDEF budget decisions are documented by Program Budget Decisions (PBDs). Final decisions are arrived at following meetings between SECDEF; the Chairman, JCS; and the Director, OMB with the President. Following these final decisions, detailed backup required for presentation of the budget to Congress is prepared by the Military Departments and OSD.

072022 DEPARTMENT OF DEFENSE FIVE YEAR DEFENSE PROGRAM

The Five Year Defense Program (FYDP) summarizes the Secretary of Defense (SECDEF) approved programs as prescribed in Program Decision Memoranda, Program Budget Decisions, and other SECDEF decision documents for the DOD. It resides in an automated data base which is updated and published three times a year as follows: (1) the January FYDP documenting the President's Budget, (2) the POM FYDP in May documenting the Military Departments' POMs, and (3) the October FYDP documenting the Military Departments' budget estimates. The FYDP, which contains past year (PY), current year (CY), budget year (BY), and BY + 1 through BY + 4 (BY + 7 forces), reflects the total resources programmed by the DOD, by fiscal year. It contains forces, manpower and total obligational authority (TOA) identified to a program element structure aggregated into the ten major defense programs. Program elements generally represent an aggregation of organizational entities, therefore reflecting the primary and support missions of the DOD. The FYDP is also broken down into the appropriation structure utilized by Congress. The 11 major defense programs are:

1. Strategic Forces;
2. General Purpose Forces;
3. Intelligence and Communications;
4. Airlift and Sealift;
5. Guard and Reserve Forces;
6. Research, Development, Test and Evaluation;
7. Central Supply and Maintenance;
8. Training, Medical and Other General Personnel Activities;
9. Administration and Associated Activities;
10. Support of Other Nations;
★11. Special Operations Forces.

072023 DEFENSE RESOURCES BOARD

1. GENERAL. The primary role of the Defense Resources Board is to help the Secretary of Defense manage the entire planning, programming, and budgeting process. It reviews proposed planning guidance; manages the program and budget review process; advises the Secretary of Defense on policy, planning, program, and budget issues and proposed decisions; performs program evaluations and reviews of high priority programs on a regular basis; and assures that major acquisition decisions are more closely aligned to PPBS.

2. DEFENSE RESOURCES BOARD MEMBERSHIP. The makeup of the Defense Resources Board is as follows:

1. Chairman—Deputy Secretary of Defense,
2. Executive Secretary—To be designated by the Chairman,
3. Permanent Members—
    Secretary of the Army;
    Secretary of the Navy;
    Secretary of the Air Force;
    Assistant Secretary of Defense (Comptroller);
    Director, Program Analysis & Evaluation;
    Assistant Secretary of Defense (Manpower, Reserve Affairs and Legistics);
    Chairman, Joint Chiefs of Staff;
    Under Secretary of Defense for Policy;
    Under Secretary of Defense Research & Engineering;
    Assistant Secretary of Defense(Health Affairs);
    Assistant Secretary of Defense (International Security Affairs);
    Assistant Secretary of Defense (International Security Policy);
    Associate Director, Office of Management and Budget (National Security and International Affairs);
    Principal Deputy Under Secretary of Defense (Research and Engineering);
    Director, Defense Advanced Research Projects Agency;
    General Counsel;
4. Associate Members—
    Chief of Staff, Army;
    Chief of Naval Operations;
    Commandant of the Marine Corps;
    Chief of Staff, Air Force.

072024 PLANNING, PROGRAMMING, AND BUDGETING SYSTEM CYCLE SCHEDULE

1. GENERAL. The DOD Planning, Programming, and Budgeting System is a cyclic process which starts each year with the development of the Joint Strategic Planning Document (JSPD) and culminates with the submission of the President's Budget to Congress. In the fall of the year, OSD develops a calendar of key events for the development of the next cycle of the DOD PPBS. Each calendar-year schedule may vary as to dates and actions to be taken; however, they all adhere to the same basic PPBS schedule. Significant items in the PPBS cycle are detailed in the following paragraphs.

2. PLANNING. The planning cycle, which involves both the management and operational heads

of the defense establishment, results in a series of guidance documents.

a. Joint Strategic Planning Document (JSPD). The JSPD provides the advice of the Joint Chiefs of Staff (JCS) to the President and SECDEF on the threat and the military strategy and forces for attaining the national security objectives of the United States. In addition to recommendations on major forces, it includes: (1) views on the attainability of these forces in consideration of fiscal responsibility, manpower resources, material availability, technology and industrial capacity; (2) appraisals of the capabilities and risks associated with programmed force levels, based on the planning forces considered necessary to execute the strategy; and (3) recommendations as to changes in the force planning and programming guidance where appropriate. It is prepared annually and published on approximately 1 September each year.

b. Department of the Navy Policy and Planning Guidance (DNPPG). The DNPPG provides guidance for DON activities participating in the DOD planning process and also provides guidance which is considered in the development of the DON POM. It is published at the end of August each year.

c. Defense Guidance (DG). The DG culminates the DOD planning process. The DG serves as an authoritative statement of the fundamental strategy, issues and rationale underlying the defense program, as seen by the leadership of DOD. The DG consists of the following: (1) threat assessment and opportunities, (2) policy and strategy guidance, (3) force planning guidance, (4) resource planning guidance, (5) fiscal guidance, and (6) unresolved issues for further study.

3. PROGRAMMING. The programming cycle, which is described in separate phases, results in the DON Program Objective Memorandum (POM) being submitted to OSD for review.

a. DON Programming Schedule. The Navy programming schedule and guidance is published by the Director, General Planning and Programming Division, OP-90, in a series of POM serials starting in August. Within Headquarters, U.S. Marine Corps, the Deputy Chief of Staff, Requirements and Programs Division (DC/S R&P) publishes POM serials reflecting the programming schedule and CMC guidance.

b. Planning Phase of Programming. From September through January, the previous year's program, as modified by the program review process and the Department budget estimate, is reviewed, assessed and appraised to identify issues to be addressed in developing the next year's POM. The planning phase of programming is culminated in January with the Navy Program Issues Summary and the Navy/Marine Corps allocation of resources through the "Blue/Green Split."

c. Defense Guidance (DG). The Defense Guidance is scheduled to be published in January and is the point of departure for the development phase of programming.

d. Program Development Phase of Programming. During this phase, the Navy and Marine Corps programs are developed. The Navy development phase is started with the issuance of the CNC Programming and Fiscal Guidance (CPFG). The resource sponsors prepare their portions of the Navy program and submit the Sponsor Program Proposals (SPPs) including the data base update, written documents, and presentations. The SPPs are then assessed. The development phase of Navy programming is culminated with the Program Evaluation and Decision Summary briefing which summarizes the program and identifies issues that require decisions by the CNO, CMC, and SECNAV. This development phase for Navy starts in late January and is completed in early April. Within HQMC, program sponsors submit initiatives in response to HQMC POM serials. These initiatives are assessed for relative merit and prioritized. Within the resource controls established through the Blue/Green Split, the DC/S R&P develops a recommended program for briefing to the CMC. The DC/S R&P, as the principal liaison with the OPNAV staff for program matters, monitors Navy programming actions during the POM development phase. For the Marine Corps, the development phase is concluded with the preparation and submission of the USMC input to the DON POM in May.

e. Navy End-Game Phase of Programming. During this phase of programming, the final decisions are made by CNO and SECNAV, final balancing is completed, and Navy POM documentation is completed. The end-game phase of programming is conducted in April and May.

f. Program Objectives Memorandum (POM). The DON program is documented by the DON POM. The DON POM is the Secretary of the Navy's annual recommendation to the Secretary of Defense for the detailed application of DON resources. The POM documents changes to the FYDP proposed by DON. The POM is submitted to OSD in mid-May.

g. POM FYDP. OSD publishes the May update of the Five Year Defense Program to document the DOD program as submitted by Defense Components in the POMs.

h. Program Decision Memoranda (PDMs). Decisions made by the SECDEF and DEPSECDEF, supported by the DRB, during the program review process are documented by PDMs and signed by DEPSECDEF. The PDMs are scheduled to be signed in early August.

4. BUDGETING. The budgeting cycle begins when the Comptroller, through the Office of Budget and Reports (OBR) issues a budget call in mid-May. Budget submissions and estimates are reviewed by DON, OSD and OMB, and decisions finalized by the President, and the budget is submitted to Congress.

a. General Guidance. Initial budget guidance for the preparation and submission of the forthcoming fiscal year budget estimates are issued by SECDEF in July. OBR issues a budget call in mid-May.

b. DON Budget Review. OBR reviews the budget submissions, conducts hearings and makes adjustments via the markup/reclama process in July and August.

c. Budget Submission. Fiscal year budget estimates are submitted to OSD by the Military Departments not later than 15 September. Estimates should be consistent with the base programs described in the POM FYDP as modified by the budget guidance and the PDMs.

d. October FYDP. OSD publishes the October update of the Five Year Defense Program to document the DOD program as submitted in Military Department budget estimates.

e. OSD/OMB Budget Review. From October to mid-December, the OSD and OMB staffs conduct a joint review of the budget estimates. They hold hearings and recommend changes to the Department budget proposals. SECDEF decisions are documented by Program Budget Decisions. When major budget issues arise that are not satisfactorily resolved by the PBD process, the Defense Resources Board convenes to review the issue and provide recommendations to SECDEF for resolution.

f. Presidential Review. The budget estimates are reviewed by the President and his decisions are finalized and communicated to DON through OSD/OMB.

g. President's Budget. Detailed backup data which includes the Navy/Marine Corps budget schedules ("salmon sheets") is prepared for the President's Budget and is submitted to Congress in mid-January.

Section III: GUIDANCE

072060 GENERAL

1. PURPOSE. Budget guidance is issued to assure consistency in the preparation of budget estimates throughout the Department of the Navy. The budget guidance also provides the necessary specific policy direction which underlies the budget estimates.

2. SUBSTANTIVE. The Comptroller, through the Office of Budget and Reports, provides substantive guidance to headquarters components in standing manuals and instructions as well as annual notices and instructions. The particular requirements of a given budget submission are met by one-time directive ("budget calls"). The headquarters staffs may disseminate Comptroller

guidance, modified to fit their own needs, to other echelons as necessary to obtain their participation in budget development.

3. TECHNICAL. General technical directions applicable at the departmental level are published in the Budget Submissions Manual which includes Department of the Navy, Office of the Secretary of Defense, and Office of Management and Budget requirements. These directions are modified to meet the needs of a particular submission by means of detailed instructions in the budget call. Components of the Department of the Navy provide implementing instructions to subordinate echelons as necessary for their review and coordination requirements.

072061 SPECIFIC

1. BUDGET/PROGRAM GUIDANCE. The Assistant Secretary of Defense (Comptroller) (ASD(C)) provides detailed instructions for the preparation of the annual budget submission for the Office of the Secretary of Defense (OSD)/Office of Management and Budget (OMB) review. Memoranda, issued throughout the year, are limited to special instructions and nonrecurring requirements. Standing requirements and comprehensive instructions are detailed in the Department of Defense Budget Guidance Manual (DOD 7110-1-M) which is contained in the current issuance of NAVCOMPTINST 7102.1, referred to in this Volume as the Budget Submissions Manual.

2. CIVILIAN MANPOWER GUIDANCE. The Comptroller, through the Office of Budget and Reports, provides guidance and controls for civilian manpower for development of budget estimates. This includes technical guidance related to format for preparation of manpower data as well as substantive guidelines (assumptions, restrictions on staffing levels, etc.) for each submitting component based on current Department of Defense and/or Government-wide personnel policies or limitations.

3. ECONOMIC ANALYSIS

a. Definition. Economic analysis is a conceptual framework for systematically investigating, displaying, and evaluating problems of choice. It is one of the tools incorporated in the budget formulation process for evaluating the relative merit of several proposals to select those that will be the most beneficial. In providing a systematic approach to decisionmaking involving the commitment of scarce resources, an economic analysis postulates alternative means of satisfying an objective and investigates the costs and benefits related to each of the alternatives.

b. Policy. It is the policy of the Comptroller that economic analysis not be indiscriminately applied to the budgeting process. Further, analyses will be limited to those specific areas where they contribute to the decisionmaking process and will be a routine part of budget backup material at any level where they are proven effective. Duplication of any current budgetary reporting requirements is not intended. Existing reports that fulfill the primary information requirements for an economic analysis may be used in lieu of a new formal analysis.

c. Application. The selected requirements for analyses are those which are specified by the Office of Budget and Reports/Fiscal Management Division, or the Fiscal Director of the Marine Corps in annual budget calls to serve as budget backup material for a particular item. Guidance for these selected requirements for analyses is provided in the annual budget calls. The analyses which provide analytical justification for the funding of projects and programs where cost savings are claimed, or where lease/purchase alternatives exist, are termed "Operational Requirements" analyses. These analyses are intended for use at all organizational levels of the DON, and may be requested as budget backup material during the DON budget review hearings. In addition, an optional economic analysis will strengthen the justification for a budget item. Finally, economic analyses may be required within DON components even when there is no formal requirement to submit them as budget backup material. The commanding officer of an activity, usually with the assistance of his comptroller, establishes the priorities for these analyses in support of his particular decisionmaking responsibilities. These analyses, as the need may dictate, may be drawn upon during the budget review process.

d. Source Documentation. The primary source of economic analysis guidance and presentation formats is the current issuance of SECNAVINST 7000.14. Additional guidance is contained in the current issuance of OPNAVINST 7000.18 and CMC HQO 7000.5.

4. INDEPENDENT COST ESTIMATES. For major systems which qualify for Department of the Navy System Acquisition Review Council (DNSARC)/Defense System Acquisition Review Council (DSARC) review, the SECNAV Advisor for Resource Analysis performs an independent cost analysis and provides SECNAV with an assessment of the reasonableness of the program manager's cost estimate. Independent cost estimates are required for research and development, procurement, and military construction programs and are provided to the Comptroller as part of the DON budget review. If the major system qualifies for DSARC review, the independent cost estimates are included in the budget submission to OSD/OMB.

PART B: BUDGET FORMULATION CYCLE

Section I: WITHIN DEPARTMENT OF THE NAVY

072100 GENERAL

Budget formulation involves personnel at all levels throughout the DON. The budget formulation cycle is a continuous, interrelated series of actions which begin at the shore activity, ship, or squadron level and flow upward through intervening command echelons to the headquarters components with a review and summarization process occurring at each level. The headquarters organization, designated in par. 022201 as "administering office" for each appropriation component (usually at the budget activity level), reviews and compiles the related estimates, with justifications as required, and forwards them to the office responsible for the total appropriation via the "principal administering office" where applicable. Summarization and compilation of budget data at the appropriation level is carried out by the responsible office or principal administering office where applicable for review by the Comptroller.

072101 HEADQUARTERS BUDGET CALL

The formulation cycle is set in motion by the issuance of headquarters command guidance. This guidance takes the form of a budget call issued 6 to 9 months prior to the required Department of the Navy submission to the Secretary of Defense. The budget call may be prepared and issued by the comptroller or financial management personnel of the headquarters organization (office, command, or Headquarters, U.S. Marine Corps), or it may be directed from the program manager of the shore activity who requires the field input for the estimate that he is preparing for submission to the comptroller. The initial Comptroller budget call to headquarters components by means of a Navy Comptroller Notice in the 7111 series is normally issued in May, setting forth all substantive and special guidance available at that time. Subsequent additions and revisions to the guidance are issued during the timeframe prior to the July submission to the Comptroller of the Navy. Therefore, the organizational components, which issue budget calls to the field must often proceed on the basis of assumptions both as to the ultimate program direction and as to the technical requirements of the submission. For the technical aspects, the headquarters commands can be guided by experience in previous budget cycles as well as by the specifications of the Budget Submissions Manual and of other applicable directives or manuals. For program assumptions they must rely on currently approved planning as reflected in the Five Year Defense Program and in the Department of the Navy Program Objectives Memorandum as well as any other Secretary of Defense or Secretary of the Navy guidance which may have become available.

072102 SHORE ACTIVITY BUDGET PROCESS

1. GENERAL. In response to the guidance from the next higher echelon of command, the commanding officer of the shore activity takes appropriate steps to formulate the required estimates. The procedure for accomplishing budgetary planning varies in proportion to the size and complexity of the activity and reflects the management policies of the command organization.

2. DECENTRALIZED BUDGET PREPARATION. The commanding officer of a large activity normally issues a command budget call to the various component departments or organizational entities within the command for the development of budget estimates and related supporting data. The command budget call provides policy decisions, assumptions, and instructions based on guidance received from higher command echelons, as well as guidance generated at the command level. This guidance is the basis for the development of budget estimates at various cost centers in the command. The cost center estimates are forwarded to the commanding officer who has them analyzed and reviewed by the comptroller staff, which makes recommendations regarding budgetary levels. The commanding officer, in turn, approves, disapproves, or modifies the estimates developed by the cost center manager in order to develop a command budget which reflects his evaluation of

program, workload, and priorities. He may be assisted in the overall coordination and review by a planning board or committee, usually composed of the principal management officials and the comptroller. The comptroller staff summarizes the activity budget, as approved by the commanding officer, ensuring that the exhibits and schedules comply with the guidance from higher echelons of command. Navy Comptroller handbooks entitled Financial Management of Resources specify the data requirements for operating budgets under the Resource Management System; NAVSO P-3006-1 is applicable to Operations accounts, and NAVSO P-3062-2 is applicable to the Research, Development, Test and Evaluation, Navy account. Investment requirements for command support equipment (general purpose nontechnical equipment) and military construction are developed and submitted by the activity in accordance with special instructions issued by the major claimant or the sponsoring command at the headquarters level.

3. CENTRALIZED BUDGET DEVELOPMENT. In small activities, the activity comptroller or budget office may develop the complete operating budget with the assistance of other personnel, as required. The centrally developed budget estimates are reviewed by the commanding officer, who has the ultimate responsibility for their validity and for defending them to higher authority.

072103 OPERATING FORCES BUDGET PROCESS

1. GENERAL. Budgeting for the Operating Forces follows command lines. The operating forces commanders are responsible for estimating all budgetary requirements for the forces under their command other than the requirements for which central funding is supplied at the departmental level. Certain categories of expense of the Operating Forces are considered to be of a nature which requires central management and budgeting at the operating forces commander or intermediate command level.

2. INTERMEDIATE COMMAND BUDGETING. The operating forces commanders require the intermediate levels of command (e.g., type/force/division/regiment/functional commanders) to provide the budgetary input for the ships, squadrons, and other combat units and shore activities under their cognizance. The intermediate level commander issues his own budget call to the shore activities which are designated as responsibility centers; for them the budget cycle proceeds as described in par. 072102. The intermediate commander is responsible for preparing coordinated budget estimates for the ships, aviation squadrons, mobile construction battalions, or other operational units, with such participation from the operational levels as the commander considers appropriate. The commander reviews the budget submissions of the shore activities within the command and integrates them with the requirements of the operational units, the headquarters, and with any items centrally managed at this level to produce a combined budget for the command in the format and detail required by the operating forces commander. This will in all cases include Operating Budget/Expense Report (NAVCOMPT Form 2168) and Activity Budget/Apportionment Submission (NAVCOMPT Form 2179-1), together with any additional supporting data which is prescribed by the operating forces commander in order to meet all requirements of higher authority.

3. OPERATING FORCES COMMANDER. The operating forces commander, with appropriate staff participation, reviews the submissions of all subordinate commanders and compiles the total estimated cost for the operation of the forces under the command, including the cost of the headquarters and of any items centrally managed at the command level. The estimates are then submitted to the Chief of Naval Operations or Commandant of the Marine Corps, as appropriate, in the format and detail prescribed for the submission. In addition to the estimates for the Operation and Maintenance appropriations, the operating forces commander submits requirements for general purpose nontechnical equipment for forces and shore activities under the command. These requirements are budgeted in the Other Procurement, Navy, or Procurement, Marine Corps appropriations, as appropriate.

072104 MANAGEMENT HEADQUARTERS BUDGET PROCESS

1. GENERAL. As stated in par. 072101, the various headquarters components (offices,

commands, or Headquarters, U.S. Marine Corps) call for budget submissions from the shore activities which they command and support. These include all shore activities which are not within the operating forces command and funding chain. The headquarters organization is responsible for developing etimates under the appropriations which support its assigned programs and functions. The budget function is administered by the component's comptroller (fiscal director) with the active participation of program managers. The shore activities' estimates are reviewed by the program and functional managers and by the comptroller staffs and are adjusted in accordance with the review results. The shore activity estimates are combined with the requirements for financing headquarters operations and headquarters level centrally managed programs. The consolidated budget for the component is assembled in the format and detail required by the next echelon of review. Procedures vary among the component organizations; however, the general practice followed requires that program managers justify and receive decisions from the organization commander or the deputy with regard to the level of dollar effort to be included in the budget. Some organizations include a review by a board of senior officials preliminary to the presentation of the proposed budget to the organization commander. The component's comptroller provides staff assistance in these reviews.

2. MATERIAL COMMANDS

a. Operation and Maintenance, Navy, and Navy Reserve. The systems commands and project managers budget for the operating costs of their own headquarters and shore activities. The completed estimates for their segments of the Operation and Maintenance appropriations are consolidated and submitted to the Fiscal Management Division (FMD).

b. Navy Investment Appropriations and the Navy Stock Fund. Budget estimates for Navy investment (procurement and construction) appropriations and the Navy Stock Fund (NSF) are prepared by the systems commands and project managers. A systems command may be designated to consolidate either a portion or an entire appropriation for submission to FMD.

c. Research, Development, Test and Evaluation, Navy. Estimates for segments of the Research, Development, Test and Evaluation, Navy (RDT&E, N) appropriation, administered by the systems commands and project managers, are submitted to the Office of Naval Research (ONR) for consolidation and ultimate submission to OBR after coordination and review by the Assistant Secretary of the Navy (Research, Engineering and Systems) and appropriate sponsors from the Office of the Chief of Naval Operations.

3. OFFICES AND OTHER COMMANDS. Navy headquarters components listed in par. 071122 as major claimants prepare and submit budgets to FMD for assigned programs and functions supported in the Operation and Maintenance, Navy, and Navy Reserve appropriations as well as feeder material for special interest exhibits. Generally, the headquarters component with primary concern for the special interest is assigned the responsibility to consolidate feeder material into a Navy-wide exhibit. Headquarters components having investment requirements for Command Support Equipment budgeted in Budget Activity 7 of Other Procurement, Navy provide feeder material to the Fiscal Management Division which is the administering office for this budget activity. As the principal administering office for the Military Personnel, Navy appropriation, the Naval Military Personnel Command (NMPC) prepares all estimates, justifications, and supporting data required. For the Reserve Personnel, Navy appropriation, estimates and justifications and supporting data are prepared by NMPC, the Commander, Naval Medical Command (NAVMED), the Chief of Naval Education and Training, and the Chief of Naval Reserve. In addition, NMPC and NAVMED develop and forward to ONR their estimates and budget justification material for segments of RDT&E,N for which they are designated as the administering office.

072105 CHIEF OF NAVAL OPERATIONS

1. GENERAL. The responsibilities of the Chief of Naval Operations (CNO) for budgetary matters are accomplished through the staff of the Fiscal Management Division (FMD). The Director, FMD serves as the budget officer for the Secretary of the Navy in his capacity as Director of Budget and

Reports and as the budget officer for CNO in his capacity as Director, Fiscal Management Division. In the latter capacity, the Director is responsible to CNO through the Director, Navy Program Planning for budget formulation and execution responsibilities that are assigned to CNO by the Secretary of the Navy. The FMD ensures the integration of budget actions with programming actions and provides comprehensive fiscal control for the Office of the Chief of Naval Operations. In formulating the CNO budget, estimates based on the programming decisions approved in the Navy Program Objectives Memorandum are prepared by various Navy headquarters components and submitted to FMD for coordination within OPNAV and for analysis and review for balance and consistency of application of costs in conformance with program objectives and other guidance.

★ 2. OPERATING ACCOUNTS. The CNO is the responsible office for the military personnel and operation and maintenance appropriations of the Navy and the Navy Stock Fund. Acting as budget office on behalf of the CNO, the FMD supervises the development and defense of the annual budget for these accounts. The budget estimates for the operation and maintenance accounts are received from the major claimants listed in par. 071122, including the estimates submitted by the SECNAV Fiscal Resources Management Division acting staff on behalf of the Under Secretary of the Navy for the requirements of the Secretariat and Staff Offices and their field activities. The Navy Stock Fund budget estimates are compiled as a total fund budget and are submitted to FMD by the Naval Supply Systems Command.

3. INVESTMENT. As the responsible office for Navy procurement and construction appropriations, the CNO utilizes the financial management staffs of the systems commands and project managers as administering offices for the appropriations Aircraft Procurement, Navy; Weapons Procurement, Navy; Shipbuilding and Conversion, Navy; Other Procurement, Navy; Military Construction, Navy; and Military Construction, Naval Reserve. The systems commands and project managers compile and review budget estimates as described in par. 072104-2 prior to submission to FMD. FMD also performs coordination, review, and compilation functions as the coordinating office for OPN Budget Activity 7, Personnel and Command Support Equipment. Estimates are provided by offices, and headquarters commands, and by the operating forces commanders who administer portions of this OPN budget activity. The Budget Activity 7 estimates approved by FMD are compiled in the format required for the submission.

072106 COMMANDANT OF THE MARINE CORPS

1. GENERAL. The Marine Corps budget process follows command lines in the issuance of calls for budget estimates to subordinate echelons and in the formulation, submission, review, and coordination of estimates back through the command chain. The Commandant of the Marine Corps (CMC) is responsible for the development of estimates for 5 Marine Corps appropriations (Military Personnel, Marine Corps; Reserve Personnel, Marine Corps; Operation and Maintenance, Marine Corps; Operation and Maintenance, Marine Corps Reserve; and Procurement, Marine Corps) and for providing estimates for Marine Corps requirements to Navy headquarters components for inclusion in the estimates of Navy appropriations which are responsible for material or operational support of the Marine Corps. CMC also is responsible for developing estimates for 3 special accounts for retired pay, wildlife conservation, and family housing as well as budgets for the Marine Corps Stock Fund and the Marine Corps Industrial Fund.

2. HEADQUARTERS, U.S. MARINE CORPS

a. Staff Review. Estimates for the operating forces and the supporting establishment flow to the Fiscal Director of the Marine Corps, who distributes them to General Staff officers, designated as appropriation sponsors, for review, coordination, and comment. In addition to rview of these estimates, the headquarters staff also develops the budgetary reqirements for military personnel, for headquarters operations, and for centrally managed programs. After completing the review and coordination of the various budget segments, the General Staff officers forward their recommendations to the Fiscal Director.

b. Fiscal Director. The budget staff of the Fiscal Director uses the estimates and supporting material prepared by the appropriation sponsors to assemble budget schedules and documents in the format required by the Comptroller for each phase of the submission cycle. The estimates are reviewed for completeness, consistency, and compliance with guidance and presented to the Commandant of the Marine Corps for his approval or change. When the Commandant approves the estimates as a budget which he can justify to higher authority, the Fiscal Director forwards them to the Comptroller.

072107 COMPTROLLER

1. GENERAL. After the steps described in pars. 072101-072106 have been completed, the estimates and supporting material for all appropriations are reviewed by the Comptroller on behalf of the Secretary of the Navy. The estimates are analyzed to assess conformity of plans to the Program Objectives Memorandum (POM) and to other program guidance. Cost factors (such as rates, unit costs, and past performance), reasonableness of projections of accomplishments, sequence of timing of related events, and uniformity of approach as to items which affect more than one appropriation are also reviewed. As a staff office, OBR has no responsibility to make program decisions but is responsible for raising fundamental program questions bearing on the budget and for pointing out the budget implications of such questions. The primary purpose of the staff review on behalf of the Secretary of the Navy is to shape the Navy and Marine Corps estimates, including personnel requirements, into a tentative overall Department of the Navy budget, with a clear delineation of significant problems which require further consideration and decision at higher levels within the Department.

2. REVIEW CONSIDERATIONS

a. General. Varying factors considered in reviewing estimates for the appropriations for military personnel; operation and maintenance; procurement; research, development, test and evaluation; and military construction are contained in subpars. b through f.

b. Military Personnel

(1) Rates. Evaluation of military personnel budgets is mainly concerned with the average cost rates used by the Chief of Naval Operations and the Marine Corps in developing their estimates. Although pay and allowance rates for individuals are set by law or administrative regulations, the average rate for basic pay, the largest item, is established from estimaes—estimated promotions, estimated gains and losses, and estimated longevity accruing during the budget year. An average rate must be computed for each pay grade E-1 through O-10, and then applied to the total number of personnel planned for each grade. The same procedure is followed for the average rate for basic allowance for quarters.

(2) Turnover. Estimated personnel turnover requires careful evaluation. The turnover rate affects such matters as cost of permanent change-of-station travel, clothing issues to recruits, reenlistment bonuses, and separation allowances.

c. Operation and Maintenance

(1) General. Review in the area of operation and maintenance varies with the type of program. The reasonableness of estimates is judged on the basis of data generated from such sources as past experience, established standards (such as those provided by work measurement), cost accounting, employment trends, and price level changes.

(2) Work Measurement. Measuring devices, including cost data, are usually available and are used with reasonable accuracy in determining fund requirements for programs such as overhaul of ships, overhaul of aircraft, fleet operations, flight operations, medical care, supply distribution and real property maintenance. In addition, accounting data and program execution data are useful in budget review.

d. Procurement

(1) Unit Costs. Unit cost data on items to be procured are usually available from information gathered through cost accounting systems or from contractual experience. In the case of new items, engineering cost estimates are attainable, although in some instances, estimating is difficult and actual costs at times vary considerably from estimates.

(2) Other Factors. In addition to unit costs other factors considered for each procurement item include:

1. inventory of material on hand or funded,
2. method of computing requirements for peacetime consumption and mobilization base,
3. requirements for spare parts,
4. status of development and evaluation,
5. time phasing of production,
6. slippage in production schedules,
7. leadtime,
8. rate of production,
9. mobilization base,
10. approval for production status.

e. Research, Development, Test and Evaluation

(1) General. Estimates for research, development, test and evaluation are not susceptible to many of the methods of analysis described in subpars. b through d. This is particularly true in the area of direct costs. Satisfactory methods of analysis have been difficult to develop inasmuch as operational standards are not available and the projects to be undertaken are seldom sufficiently uniform for review authorities to make meaningful cost comparisons. Since the effort funded in this appropriation is budgeted incrementally, the analysis of unobligated and unexpended program balances provides a useful tool for monitoring performance and future financial requirements.

(2) Funding Levels. Total DOD RDT&E funding is maintained at roughly the same annual percentage of all DOD appropriations. This percentage may vary among the Military Departments due to different program emphasis from year to year. Relatively even levels of funding are maintained for research and exploratory development. At top review echelons, therefore, major budgetary consideration in these areas normally includes such factors as the total level of effort, relationship of this level to the balance of the RDT&E,N program, areas in which additional scientific knowledge or experimentation is needed, and availability of scientific personnel and research facilities.

(3) Project Review. Review of systems and component development is accomplished on a project basis. Consideration is given, in the case of each project, to such matters as time schedule of development, preliminary studies and analyses required, numbers and cost of test articles to be fabricated, supporting specialized facilities, and engineering man-year costs.

f. Military Construction. Estimates for military construction are developed on the basis of individual projects and costs are reasonably accurate. This is true for two reasons. First, preliminary architectural and engineering studies must be available for each project included in the budget; and second, costs for standard types of construction are readily attainable. Typically, engineering design is 35% complete when a project is submitted to the Congress. The Department of Defense has established criteria and standards for the construction of most defense facilities which are published in a unit cost guide. While the cost of projects is not usually a major factor in this segment of review, the basis of project costing is reviewed. Another major concern is with the timing of planned construction, the readiness of military programs for which construction projects are required, and the availability and adequacy of existing structures to meet new program requirements.

3. MARKUP. After reviewing and evaluating the estimates, OBR proposes changes in the budget by issuing budget "marks" for all appropriations/funds. These marks are distributed to the offices, bureaus, commands, and OPNAV/HQMC for reclama as appropriate. The budget marks are also provided to the Navy Secretariat to ensure full exposure of the issues being raised.

072108 SECRETARY OF THE NAVY REVIEW

When the markup and reclama process is completed, the Director of Budget and Reports (NCB) presents the total budget picture to the Secretary, his principal civilian assistants, the Chief of Naval Operations, and the Commandant of the Marine Corps. This presentation reflects the total of the budget year estimates as submitted to the Comptroller and the major dollar adjustments and associated analyses which are encompassed in the markup. Any unresolved issues requiring a decision by the SECNAV are presented at this time. After resolution of these issues by the Secretary and his acceptance (or change) in other areas which have not been in issue, the budget totals are established, control figures are promulgated by the Comptroller, and the budget becomes the formal Department of the Navy budget for submission to the Office of the Secretary of Defense. The Secretary of the Navy review is usually completed by the end of August in order to afford time for the organizational components to complete the formal budget submission to the Office of the Secretary of Defense about mid-September.

072109 SUBMISSION TO THE OFFICE OF THE SECRETARY OF DEFENSE

Revised budget submissions, including the required justification and backup material, are prepared and forwarded to the Secretary of Defense (SECDEF). The Comptroller prepares a transmittal letter for SECNAV signature. In addition, an executive summary of the DON budget known as the "blue book" is also submitted to OSD.

Section II: REVIEW BY HIGHER AUTHORITY

072120 SECRETARY OF DEFENSE REVIEW

1. GENERAL. The review conducted by the Office of the Secretary of Defense (OSD) differs in many respects from that conducted within the Navy. OSD is concerned with obtaining the best possible balance in the total Defense program. This review, therefore, is more concerned with the broad aspects of program requirements and the relationships and pricing of programs than with program details, although the latter also are considered.

2. JOINT REVIEW. Because of the time factor, review of the budget estimates by OSD is conducted jointly with the Office of Management and Budget (OMB). Staff personnel of the two organizations work together closely, conducting hearings and informal discussions. Although this is a joint review, OMB, as a staff arm of the President, retains its separate authority to propose alternative decisions.

3. REVIEW CRITERIA. Review by OSD is concerned primarily with determining:

1. the adherence to SECDEF policy/decisions,
2. the validity of program requirements,
3. the pricing and feasibility of programs,
4. the relative priority of the programs of the three military departments,
5. consistency of presentation between and among the Department of Defense (DOD) components.

Although program validity, pricing, feasibility, and adherence to policy also have been major considerations in the review conducted within the Navy, OSD nevertheless subjects the estimates to thorough examination. In the case of procurement programs, pricing, production scheduling, research and development status, priority of requirements, conformance with established logistics guidance, availability of substitute items, and many other factors are considered and analyzed. Total DOD civilian employment, economies and efficiencies, and the possible effect of the budget proposals on the general economic situation are all matters of interest to the Secretary. The relative priority of programs is of particular significance in that the markup of OSD reflects determinations on the relative emphasis to be placed on broad areas of effort, such as limited warfare, strategic warfare, antisubmarine warfare, etc. In addition, in an effort to achieve consistency of presentation among DOD components, the OSD/OMB analysts attempt to apply similar review considerations in matters of appropriation content and structure, wherever appropriate, to the comparable appropriations of the various DOD components.

4. PROGRAM BUDGET DECISION PROCEDURE

a. General. The Program Budget Decision (PBD) procedure is a major phase of budget review at the Secretary of Defense (SECDEF) level. It is the procedure by which SECDEF communicates to the Military Departments and Defense agencies his tentative and, later, his final decisions on matters raised during review of the budget by his staff, usually jointly with OMB. The procedure also allows the Military Department Secretaries and Agency Directors to request reconsideration of these tentative decisions when deemed essential to their respective programs. In the course of the budget review, OSD analysts often determine that certain programs, or phases of programs, are subject to change on the basis of program or financial considerations. In each such instance they prepare and forward for SECDEF decision a PBD paper offering alternative proposals on the item questioned. When SECDEF has made a tentative decision on a Department of the Navy PBD, it is forwarded to the Secretary of the Navy (SECNAV), who may either accept the tentative decision or reclama (appeal) within a stipulated time. If SECNAV elects to reclama, it must be prepared and forwarded within the time allowed for reclama action. After reviewing SECNAV's position on the PBD, SECDEF either affirms his earlier (tentative) decision or revises his decision on the matter. The results are reflected in the budget estimates.

b. DON Procedure. The PBD procedure within the Department of the Navy is under the administration of the Comptroller of the Navy, who receives the PBDs from the Assistant Secretary of Defense (Comptroller). He assigns action responsibility, sets time deadlines, and presents proposed reclamas to SECNAV for decision. In this process, the Comptroller keeps SECNAV informed as to the cumulative dollar totals of the PBDs and their effect on the DON estimates.

c. Major Budget Issue Review. The most significant programs that are still not agreed upon at the end of this PBD and reclama process are selected as major budget issues and become the subjects of formal discussion between SECNAV and SECDEF. A date for this major budget issue meeting is included each year in the OSD Calendar Year Planning-Programming-Budgeting Schedule, usually about the end of the first week in December.

072121 PRESIDENTIAL REVIEW

1. OFFICE OF MANAGEMENT AND BUDGET. As a staff office to the President, the Office of Management and Budget (OMB) is responsible for reviewing appropriation requests of the Department of Defense as well as those of all other Federal agencies. As stated in par. 071100-3a, this review is conducted jointly with the Office of the Secretary of Defense (OSD). OMB personnel usually participate in the deliberations which result in Program/Budget Decisions. If OMB disagrees with a final action taken by the Secretary of Defense, it submits an alternative recommendation to the President.

2. THE PRESIDENT. The Budget of the United States Government is often referred to as the President's Budget. It represents his views and determinations. In making final decisions on the Defense budget, the President confers with the Director of the Office of Management and Budget, the Secretary of Defense, the Joint Chiefs of Staff, and the National Security Council. Once final decisions have been made on the funds required to carry out programs of the entire Federal Government, the budget is printed and forwarded to the Congress. As provided by law, this must be done within the first 15 days of each regular session of the Congress. Ordinarily, this occurs around 20 January of each year. The President's budget message to the Congress, which explains the proposed fiscal policy of the Government for the budget year, is included in the printed budget.

3. THE PRINTED BUDGET. The printed budget is described in detail in par. 072200. However, it is important to note in this description of the formulation cycle that the printed budget consists of a series of schedules which must be prepared well in advance of the description of programs contained in the justification books presented to Congress. The schedules in the printed budget contain the control figures by appropriation and budget activity which must be adhered to and justified before the Congress. Since the printed budget is the "Budget of the United States Government," the Department of the Navy's portion must

be collated with all other agencies in the Government. The leadtime, therefore, required for this massive printing task requires that all schedules, with control figures, be completed by approximately 20 December. These schedules are prepared under the guidance and direction of the Comptroller. In the printing process performed by the Government Printing Office, galleys and page proofs are received which must be reviewed and edited within the Department in a short and accelerated timeframe.

4. DISCLOSURE. As stated in the Office of Management and Budget Circular No. A-11, Section 71 (see Appendix C), the decisions of the President as to his budget recommendations and estimates are administratively confidential until made public by the President. OMB holds the head of each agency responsible for preventing premature disclosure of information as to such recommendations and estimates. Circular A-11 specifically prescribes the maintenance of the confidential nature of all budget estimates and supporting materials submitted to OMB and prohibits disclosure of such information to Congress or any committee thereof prior to the formal Presidential presentation of the budget to the Congress. The same restrictions apply to budget amendments and supplemental appropriation requests. For additional guidance in regard to testimony after formal transmittal, see par. 072222-5 and Appendix C.

PART C: CONGRESSIONAL REVIEW AND ENACTMENT

Section I: SUBMISSION TO CONGRESS

072200 THE PRESIDENT'S BUDGET

1. GENERAL. The printed budget document transmitted to Congress by the President is comprised of certain standard material for each appropriation of each agency. The format and instructions for preparation of the required exhibits are prescribed in Office of Management and Budget (OMB) Circular No. A-11, Instructions for the Preparation and Submission of Annual Budget Estimates, which is contained in the Budget Submissions Manual. The Assistant Secretary of Defense (Comptroller) promulgates supplementary guidance within the Department of Defense (DOD) with respect to timing and method of submission of the schedules. The budget schedules cannot be submitted in final form until totals for all appropriations have received final approval from the Secretary of Defense and the President.

2. LANGUAGE. Language sheets appear in the printed budget as the first item for the appropriation. OMB Circular No. A-11 states that the language sheet for each appropriation item must contain the text of the appropriation as enacted for the current year, together with the changes necessary to make the text read as proposed for the budget year, and applicable statutory references. The text states all the purposes for which the funds are legally available; any proposed changes in these purposes must be authorized in the appropriation language. The statutory references cite appropriate titles and sections of the United States Code, wherever possible. If the reference is not to be found in the United States Code, the citation may be to the public law number or to the applicable volume and number of the Statutes at Large, whichever is more convenient. Executive Orders are cited by date and number. The language for all the DOD appropriations is included subsequently in the DOD Appropriation Act or the DOD Military Construction Appropriation Act, as applicable, when presented for House of Representatives, and later Senate, consideration and action.

3. PROGRAM AND FINANCING SCHEDULE. A program and financing schedule, consisting of three sections, is prepared for each appropriation. The first section is a tabulation for the past year, current year, and budget year of obligations (for those agencies which budget and perform accounting on an obligation basis) or of program costs (for those agencies which employ cost-based budgeting and accounting), arrayed by budget activities. If the schedule is prepared on a cost basis, it contains adjusting entries as necessary to reconcile costs to obligations. The second section sets forth the method of financing the program and the disposition of unused amounts. It includes entries for reimbursements; transfers to or from other accounts; recovery of prior year obligations; balances available, lapsing or being rescinded; and estimated new obligational authority. The third section sets forth the data on relation of obligations to expenditures; e.g., receipts and other offsets, obligated balances at beginning and end of year, and adjustments in expired accounts.

4. PROGRAM AND PERFORMANCE STATEMENT. A narrative statement on program and performance follows the program and financing schedule for each appropriation. The primary purpose of the narrative statement is to present in summary form the work program financed from the account, a measure of expected performance (compared with present and past), and the relation of expected performance to the financial estimates. The statements focus on budget-year work to be done, services to be rendered, and performance to be accomplished. However, data as to past and current fiscal years should be included for comparative purposes. The organization of the statements is usually aligned to the listing of individual activities in the program and financing schedule.

★5. OBJECT CLASSIFICATION SCHEDULE AND PERSONNEL SUMMARY. The object classification schedule and personnel summary distributes by object classification the total obligations, or total cost, reflected in the corresponding program and financing schedule. If the object classification detail is on a cost basis, appropriate adjusting entries must be used to provide a bridge between the sum of the detail and the entry for total obligations. The object classifications employed in this schedule, defined in OMB Circular No. A-11, represent types of services, articles, or other items for which costs are incurred in carrying out a budgeted program. For all object classification schedules which contain entries for personnel compensation, a personnel summary also is required. It includes information as to the total number of permanent positions, full-time equivalent of other positions, average number of employees, and average grade and salaries.

6. SCHEDULE OF PERMANENT POSITIONS. A consolidated schedule of permanent positions is required annually and included in the budget schedules. The first section of the schedule provides a list of all funded permanent positions as of the end of the year including both filled and unfilled positions. The second section provides the distribution of the total number of permanent positions by financing account.

7. SPECIAL ANALYSES. OMB Circular No. A-11 requires the submission of certain additional analyses which are designed to highlight special information about significant aspects of Government activities. They are compiled in a document entitled "Special Analyses, Budget of the United States Government." The volume includes analyses of data which reflect the ways in which Government finances affect the economy; Government-wide program and financial information in such social program areas as education, manpower, and health; and discussion of trends and developments in such selected areas of governmental activity as public works research and development, and environmental quality. The Office of the Secretary of Defense compiles and consolidates data submissions from the Military Departments and other DOD components for inclusion by OMB with the Government-wide data.

072201 JUSTIFICATIONS AND SUPPORTING DATA

Justification books are prepared for the use of the Appropriations and Armed Services Committees of the House of Representatives and the Senate. The material is prepared for each appropriation in accordance with the specifications stated in the Budget Submissions Manual, as modified by current instructions. The justifications for the Appropriations Committees follow a pattern which has evolved over the years to meet the requirements of the Committees and their staffs. The contents include the appropriation language with accompanying explanation of proposed changes, the budget schedules as submitted for printing in the Budget of the United States, a narrative statement outlining the major provisions of the appropriation estimate, a tabular summary by budget activity, and detailed statements for each budget activity. Such statements include a description of the broad purpose and scope of the activity and explanation and justification of the budget year estimates.

Section II: REVIEW CYCLE

072220 GENERAL

The congressional review of the budget is detailed and exhaustive in nature, extending over a period of several months. Congressional review of the DON budget involves both an authorization review which is the responsibility of the Armed Services Committees in enacting Authorization Bills and an appropriation review which is the responsibility of the Appropriation Committees in enacting Appropriation Bills. These committees are required to work within the fiscal framework provided by the Budget Committees.

072221 "POSTURE" HEARINGS

The first stage of the hearings of the House and Senate Armed Services Committees and the House and Senate Appropriations Committees is a series of top-level hearings on the total Department of Defense program and the funds required to support it. The Secretary of Defense, the Chairman of the Joint Chiefs of Staff, the Secretaries of the Military Departments, and the Chiefs of Military Services appear to deliver individual "posture" statements which summarize in general terms the accomplishments of the past year, the broad problems remaining to be solved, and the goals for the forthcoming year.

072222 WITNESSES

1. RESPONSIBILITY. In addition to the top-level Department of Defense and Department of Navy witnesses mentioned in par. 072221, whose responsibility it is to discuss overall programs, plans, and financial requirements, other officials appear before the Armed Services and Appropriations Committees to support specific authorization and appropriation requests. These are the officials who have the chief responsibility for the planning or execution of the programs included therein.

2. ROLE OF NCB. The Director of Budget and Reports (NCB) from the Office of the Comptroller attends all hearings as either a principal or supporting witness and coordinates all matters related to Appropriations Committee hearings. This includes preparation of the lists of witnesses to be supplied in advance to the committee staff; the coordination, security clearance, and advance delivery of witnesses' prepared statements to the committee staff; and the scheduling of all hearings and appearance of witnesses.

3. OTHER WITNESSES. The principal witnesses for the Navy appropriations are usually the appropriation sponsors, representing the Chief of Naval Operations. They are accompanied by supporting witnesses. In the case of the appropriation for Research, Development, Test and Evaluation, the principal witness is the Assistant Secretary of the Navy (Research, Engineering and Systems), supported by the Chief of Naval Research and by representatives of the Chief of Naval Operations, the Commandant of the Marine Corps, and the systems commanders. For Marine Corps appropriations, the cognizant General Staff officers serve as principal witnesses, supported by members of their staffs and by fiscal personnel.

4. PREPARATION. Each witness must prepare himself thoroughly for appearances before the various committees. The witness has a vital role in defending a portion of the Department of the Navy's budget requirements. The witness should familiarize himself with all available backup information on the appropriation and/or program on which he is to testify.

5. RESTRICTIONS. The witness before congressional committees must be aware at all times of the restrictions imposed upon his performance by the President, the Office of Management and Budget, the Secretary of Defense, and the Department of the Navy. He must support the budget estimates transmitted officially by the President and not volunteer any information as to other amounts or programs requested by the Department. On the other hand, he is instructed to give frank, complete answers to all questions of fact, avoiding both criticism and evasiveness. If he is pressed for a personal opinion on a matter which the Secretary of Defense has taken a position with the approval of the President, he must make clear:

1. the extent to which it differs from that of the President or Secretary,
2. that his personal views were expressed in the course of the Defense Department consideration (if this is the case),
3. that he has accepted and will abide by the departmental position,
4. the pros and cons on the issues involved.

He must also make it clear that the expression of his opinion(s) is not a request for additional funds (also see Appendix C).

6. CLASSIFICATION OF TESTIMONY. The witness is required to exercise great care in connection with classification of testimony. The Defense Subcommittee of the House Appropriations Committee conducts closed sessions and maintains a "classified record." The witness, however, should try to keep his answers unclassified or, when required to give classified information, he should make a statement to that effect to facilitate editing and security review of the transcript. He should request, before revealing highly classified matter, that it not be recorded. The Senate committees, which ordinarily conduct open hearings, will go into executive sessions to receive classified information.

7. CONTRACTUAL INFORMATION. In no instance will information be furnished to members of Congress regarding the identity or location of companies or persons receiving contract awards prior to public announcement of such information by the Secretary of Defense.

8. SOURCE OF DOCUMENT. Additional guidance regarding security and the provision of information to Congress is set forth in the current issuance of OPNAVINST 5510.158.

072223 AUTHORIZATIONS

1. SCOPE. Pursuant to the provisions of 10 U.S. Code 138, annual legislation is required to authorize Department of Defense (DOD) appropriations for purposes specified in that statute. These purposes are:

1. procurement of aircraft, missiles, or naval vessels;
2. research, development, test or evaluation, or procurement or production related thereto;
3. procurement of tracked combat vehicles;
4. procurement of other weapons;
5. procurement of naval torpedoes and related support equipment;
6. military construction;
7. the operation and maintenance of any armed force or of the activities and agencies of the DOD;
8. procurement of ammunition;
9. other procurement by any armed force or by the activities and agencies of the DOD;
10. the personnel strength of the Selected Reserve of each reserve component of the Armed Forces;
11. the end strength as of the end of the fiscal year for active duty personnel for each component of the Armed Forces;
12. the end strength as of the end of the fiscal year for civilian personnel for each DOD component;
13. the average military training student loads for each component of the Armed Forces including the following individual training categories:
    - (a) recruit and specialized training;
    - (b) flight training;
    - (c) professional training in military and civilian institutions;
    - (d) officer acquisition training (excluded are unit and crew training student loads).

The Armed Services Committees of the two Houses are responsible for this authorizing legislation. Military construction is authorized in separate legislation from the rest of the DOD Budget Request. Pursuant to the provisions of 10 U.S. Code 2208, appropriations for working capital funds will also be authorized for specific purposes effective FY 1985. While the authorization acts establish maximum amounts that may be appropriated for the various categories specified in the legislation, they do not constitute appropriations or convey obligational authority.

2. PROCEDURE FOR AUTHORIZATION

a. Committee Review. Subcommittees of the Armed Services Committees hold hearings to consider the Department's request. The subcommittees write a report and mark up the proposed bill for the subsequent approval of the full Armed Services Committees. The full committees adopt the report and forward the proposed legislation to the parent body for debate, amendment if desired, and passage. This action is normally taken first in the House of Representatives, after which it is referred to the Senate, which utilizes a similar process in arriving at a Bill.

b. Conference. If the Senate passes a bill which differs from the House version, the House either accepts the Senate provisions or requests a conference to consider the points at issue. Both the House and the Senate appoint members of a conference committee, which meets to produce a single bill reconciling differences. When the committee completes its assignment, the conferees report back to their respective chambers, which proceed with action on the bill until an identical bill is adopted by both bodies.

c. Enactment. Upon final passage by both House and Senate, the enrolled bill is signed by the Speaker of the House and the President of the Senate and forwarded to the President for signature. The President's signature completes the enactment process, after which the Act is sent from the White House to the General Services Administration, which assigns a public law number and arranges for publication.

072224 APPROPRIATIONS

1. HOUSE COMMITTEE

a. General. By law, all appropriation bills originate in the House of Representatives. The House Appropriations Committee is the first group to hold hearings and take action on budget proposals. Following the transmittal of the President's

Budget Message, the committee begins its review of the overall Federal budget by holding hearings at which top officials of the executive branch, such as the Director of the Office of Management and Budget and the Secretary of the Treasury, testify on broad questions of national fiscal policy. Defense officials address issues to the appropriate subcommittees.

b. Subcommittee

(1) Procedure. The Defense Subcommittee reviews all appropriations included in the DOD Appropriation Act. The Military Construction Subcommittee reviews the Department's Military Construction and Family Housing request. The subcommittees hold extensive hearings on each appropriation request. NCB directs the presentation of all requests before these subcommittees. The hearings begin with a general statement and follow with questions by the subcommittee members on programs or costs which interest them. Responses are provided by the witnesses during the hearings or are provided for the record at a later date by NCB.

(2) Role of Subcommittee Staff. Detailed preparation on the part of the subcommittee members, with the assistance of their staffs, precedes the hearings on the agency appropriation estimates. The justification books are available to them for several weeks prior to the beginning of the hearings, and the subcommittee staff analyzes them carefully for items to be brought to the attention of the members for questioning. In addition, the staff may request the agency to submit additional data on specific subjects or in special format for the use of staff and/or subcommittee members prior to the hearings. The subcommittee staff plays a key role in the entire review process; it is recognized that they are speaking for the subcommittee when they request supplementary information or conferences with agency staff. The staff of the Director of Budget and Reports of the Office of the Comptroller of the Navy, maintains a continuing liaison with the subcommittee staff to assure a maximum level of mutual understanding and effective working relationships.

(3) Hearings Record. As the hearings proceed, the transcript of each day's testimony is forwarded to the witnesses as a matter of courtesy for their review and editing for accuracy and security. Material requested by the committee for the record is inserted by the reviewing officials at this time. The edited hearings are published for the use of all the Members of Congress and for the information of the general public.

(4) Report. When the respective subcommittee concludes its hearings, it meets to mark up the bill, write its report, and prepare an amended bill. The report deals in great detail with each appropriation and discusses specific defense programs from both a substantive and procedural approach. It may contain prohibitions and suggestions which, while having no legal standing, are considered binding by the Military Department concerned.

c. Full Committee. The full Appropriations Committee meets to review the proposals of the Defense Subcommittee (or the Military Construction Subcommittee for its bill) and amend or adopt its report. Normally, the Subcommittee Report and print of the bill are adopted as submitted and forwarded to the House for action.

2. HOUSE ACTION. Appropriations bills are in a category of legislation which is always taken up first by the House sitting as the Committee of the Whole House on the State of the Union. This is a parliamentary device to expedite consideration of legislation, enabling it to act with a quorum of only 100 members instead of the 218 normally required. A time limit is adopted for the debate in the Committee of the Whole, which is divided between the chairman and ranking minority member of the Appropriations Committee (or Subcommittee). At the conclusion of debate and voting on amendments, the Committee of the Whole reports the bill to the House with such amendments as have been adopted. The House, itself, with minimum debate, then proceeds to vote on the reported amendments and immediately afterward on the whole bill as amended.

3. SENATE COMMITTEE. The Defense Subcommittee and the Military Construction Subcommittee of the Senate Appropriations Committee may begin hearings on the appropriations bills prior

to completion of House action; at times they do not start until at least the House Committee has reported out the bills. In any event, subsequent to House action, the Senate subcommittees receive appeals from the Secretary of Defense to any action taken by the House with which he is in disagreement. These appeals, which state the effect of the House cuts or amendments on proposed programs, are taken into consideration during the Senate proceedings. The Senate subcommittees usually hold relatively brief hearings, after which a report and the recommended bills are compiled. The full Appropriations Committee then acts on the report and forwards recommendations to the Senate for debate and passage.

4. CONFERENCE AND ENACTMENT. Conferees are appointed by the House and Senate to resolve differences between the two versions of the appropriations bill. When satisfactory compromises have evolved and the conference report is accepted first by the House and then by the Senate, the enrolled bill is signed by the Speaker of the House and the President of the Senate and forwarded to the White House for the President's signature and subsequent numbering and publication by General Services Administration.

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CHAPTER 3

BUDGET EXECUTION

PART A: GENERAL

073000 DEFINITION

Budget execution is that phase of the budget cycle which encompasses all the actions required to accomplish effectively, efficiently, and economically the programs for which funds were requested and approved by competent authority. The budget execution phase overlaps the formulation and review phases and continues throughout the period of availability of the appropriations for obligation or expenditure. Effective budget execution requires procedures for control and evaluation which will ensure compliance with regulations and limitations established by the Congress, the General Accounting Office, the Treasury Department, the Office of Management and Budget (OMB) and the Secretary of Defense, as well as by all echelons of responsibility and command within the Department of the Navy.

073001 RESPONSIBILITIES

1. OFFICE OF MANAGEMENT AND BUDGET. The Director of the Office of Management and Budget is required by 31 U.S. Code 1512 to apportion appropriations or funds so "as to prevent obligation or expenditure thereof in a manner which would indicate a necessity for deficiency or supplemental appropriations. . ." The apportionment may be in terms of time periods or "by activities, functions, projects, or objects," as deemed appropriate.

2. SECRETARY OF DEFENSE. Title IV of the National Security Act amendments of 1949 (10 U.S. Code 5061) requires that the Secretary of Defense control the rates of obligations to prevent overdrafts and deficiencies. Based on the provisions of 31 U.S. Code 1512, the current issuance of DODDIR 7200.1,"Administrative Control of Appropriations" (see Volume 2, Appendix A), provides regulations for the restriction of obligations and expenditures. Among other things, the directive requires that apportionment or reapportionment requests be submitted through the Office of the Assistant Secretary of Defense (Comptroller) for review and decision.

3. DEPARTMENT OF THE NAVY. The same DODDIR 7200.1 on the administrative control of appropriations charges the Secretaries of the Military Department, or other designated officials, with responsibility for preparation and submission of apportionment requests for appropriated and revolving funds as prescribed by the Director of the Office of Management and Budget and the Assistant Secretary of Defense (Comptroller) and for allocating the apportioned funds in such manner as not to be in excess of the available amounts, maintaining appropriate accounting records, and reporting on the basis of those records. The Secretary of the Navy has assigned the responsibility for allocation of funds and administration of apportionments to the Comptroller of the Navy (Navy Regulations, 1973, par. 0203.4). The Comptroller allocates funds to the Chief of Naval Operations, to the Commandant of the Marine Corps, or to other responsible officials within the Department of the Navy, each of whom is required to exercise effective control of financial operations within the procedures and systems established by the Comptroller. The Comptroller also has the responsibility, vested in the Director, Office of Budget and Reports, for the continuous review of rates of obligation and expenditure of appropriated funds, including the consideration and review of reprogramming proposals, and for the submission of reports to the Secretary of Defense, the Office of Management and Budget, and the Treasury Department regarding the status of appropriations and apportionments.

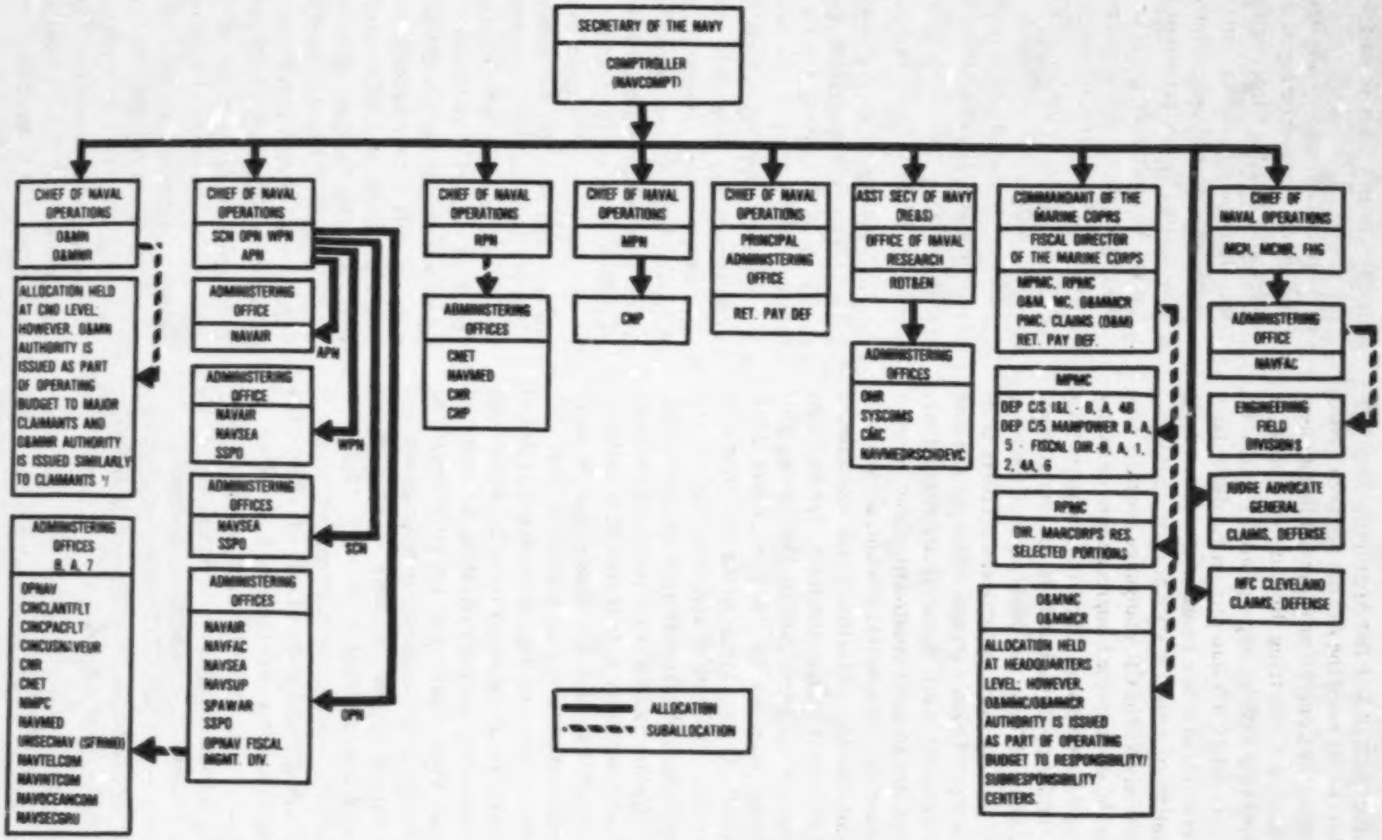
See Illustration on Page 3-2

073002 PROCEDURES FOR ESTABLISHING AVAILABILITY

1. PRIOR TO APPROPRIATION ENACTMENT

a. General. Provisions of the Congressional Budget and Impoundment Control Act of 1974

★DEPARTMENT OF THE NAVY FUNDFLOW CHART


SECRETARY OF THE NAVY
COMPTROLLER (NAVCOMPT)
CHIEF OF NAVAL OPERATIONS
O&MN
O&MNR
ALLOCATION HELD AT CNO LEVEL: HOWEVER, O&MN AUTHORITY IS ISSUED AS PART OF OPERATING BUDGET TO MAJOR CLAIMANTS AND O&MNR AUTHORITY IS ISSUED SIMILARLY TO CLAIMANTS ¹/
ADMINISTERING OFFICES B, A, 7
OPNAV
CINCLANTFLT
CINCPACFLT
CINCUSNAVEUR
CNR
CNET
NMPC
NAVMED
UNSECNAV (SFRMD)
NAVTELCOM
NAVINTCOM
NAVOCEANCOM
NAVSECGRU
CHIEF OF NAVAL OPERATIONS
SCN OPN WPN APN
ADMINISTERING OFFICE
NAVAIR
APN
ADMINISTERING OFFICE
NAVAIR
NAVSEA
SSPO
WPN
ADMINISTERING OFFICES
NAVSEA
SSPO
SCN
ADMINISTERING OFFICES
NAVAIR
NAVFAC
NAVSEA
NAVSUP
SPAWAR
SSPO
OPNAV FISCAL MGMT. DIV.
OPN
CHIEF OF NAVAL OPERATIONS
RPN
ADMINISTERING OFFICES
CNET
NAVMED
CNR
CNP
CHIEF OF NAVAL OPERATIONS
MPN
CNP
CHIEF OF NAVAL OPERATIONS
PRINCIPAL ADMINISTERING OFFICE
RET. PAY DEF
ASST SECY OF NAVY (RE&S)
OFFICE OF NAVAL RESEARCH
RDT&EN
ADMINISTERING OFFICES
CNR
SYSCOMS
CMC
NAVMEDRSCHDEVC
COMMANDANT OF THE MARINE CORPS
FISCAL DIRECTOR OF THE MARINE CORPS
MPMC, RPMC
O&M, MC, O&MMCR
PMC, CLAIMS (O&M)
RET. PAY DEF.
MPMC
DEP C/S I&L - B, A, 4B
DEP C/S MANPOWER B, A, 5 - FISCAL DIR.-B, A, 1, 2, 4A, 6
RPMC
DIR. MARCORPS RES. SELECTED PORTIONS
O&MMC
O&MMCR
ALLOCATION HELD AT HEADQUARTERS LEVEL; HOWEVER, O&MMC/O&MMCR AUTHORITY IS ISSUED AS PART OF OPERATING BUDGET TO RESPONSIBILITY/ SUBRESPONSIBILITY CENTERS.
CHIEF OF NAVAL OPERATIONS
MCN, MCNR, FHS
ADMINISTERING OFFICE
NAVFAC
ENGINEERING FIELD DIVISIONS
JUDGE ADVOCATE GENERAL
CLAIMS, DEFENSE
NFC CLEVELAND
CLAIMS, DEFENSE
ALLOCATION
SUBALLOCATION

NOTE: THE FLOW OF FUNDS IS INDICATED ONLY THROUGH THE ALLOCATION AND SUBALLOCATION STAGES; FURTHER SUBDIVISIONS OCCUR THROUGH ISSUANCE OF ALLOTMENTS OR OPERATING BUDGETS TO PROGRAM/PROJECT MANAGERS OR ACTIVITIES AT OTHER ECHELONS.

(P.L. 94-344) require the Congress to pass the annual Department of Defense Appropriation Act by 1 October. In the event the Act has not been passed by this time, the Congress provides funding authority through a Continuing Resolution Authority (CRA) making interim appropriations available. The intent of the CRA is to provide funds to maintain operations at a rate necessary for the orderly continuation of activities until regular appropriations are enacted. The CRA language normally provides for the amounts the Congress deems necessary to continue operations in support of projects or activities until Appropriation Bills can be enacted. Based on the CRA and the Department of the Navy request, the Treasury Department prepares temporary appropriation warrants which, after being countersigned by the General Accounting Office, are forwarded to the Department of the Navy as certification that the specified amounts are available for commitment, obligation, and expenditure against the direct budget programs. Specific rates of obligation are prescribed by the Secretary of Defense as required by 10 U.S. Code 2204. Customarily, an integral part of the obligation rates so prescribed is a listing of approved items or programs for which obligational authority is released. The listing also reflects items or programs for which obligational authority is restricted or prohibited. The Comptroller allocates funds at a level of availability which, at the appropriation total, conforms to the most restrictive amount established thus far in the allocation process by either temporary warrants, rates of obligation, or approved restricted lists. Carryover apportionments of multiple-year and continuing appropriations also are continued by the Secretary of Defense for obligations at a rate necessary to support approved programs for which apportionments were made in the preceding fiscal year. Heads of appropriate responsible components are authorized to suballocate funds, issue allotments and such other funding documents as necessary within funding grants, limitations, and policies expressed by the Comptroller. See par. 073201 for procedures applicable to continuation of financial operations under authority of a CRA.

b. Congressional Prerogatives. The House Appropriations Committee has stated its philosophy underlying the apparent broad grant of funding authority under a CRA in part:

> "Without laying down any hard and fast rules and short of encumbering administrative processes with detailed fiscal controls, the Committee nonetheless thinks that to the extent reasonably possible, departments and agencies should avoid the obligations of funds for specific budget line items or program allocations, on which congressional committees have expressed strong criticism, at rates which unduly impinge upon discretionary decisions otherwise available to the Congress. Otherwise, it may become necessary to curtail the interim flexibility now provided in continuing resolutions - a procedure which over the years has generally served its purpose rather satisfactorily."

Operating officials must take administrative actions in consonance with limitations on rates of obligation while operating under a CRA.

★2. PURSUANT TO APPROPRIATION ENACTMENTS. On the basis of the enacted Department of the Navy appropriations, the Treasury Department prepares appropriation warrants which, after being countersigned by the General Accounting Office, are forwarded to the Department of the Navy as certification that the specified amounts are available for obligation and expenditure. Fund availability is established through compliance with procedures for submission, review, and Office of Secretary of Defense (OSD)/Office of Management and Budget (OMB) approval of apportionments and/or financial plans. In conjunction with the apportionment procedure, the Office of the Assistant Secretary of Defense (Comptroller) establishes the authorized level of obligation and expenditure for each appropriation, as well as any controls or limitations required below the appropriation level, as a means of requiring compliance with the terms of approved programs and budgets. In passing obligational authority (as an allocation or as a limitation within operating budget authority) to other echelons of command, the Comptroller creates administrative subdivisions of appropriated funds with clearly defined responsibility for 31 U.S. Code 1517 violations, i.e., for the creation of any obligation or making of any expenditure in excess of an apportionment or reapportionment, or of an amount specified in an administrative subdivision thereof. The process of distributing financial authority is continued through the chain of command in the form of suballocations, allotments, operating budgets, or operating targets. Allotments, as well as the specified obligational authority within operating budgets, constitute administrative subdivisions of appropriated funds, subject to the sanctions of the Anti-Deficiency Act (31 U.S. Code 1518 and 1519) for the holders of allotments or operating budgets. Operating targets (e.g., those established for individual ships by type commanders) are administrative limitations of funds for which the legal responsibility is retained by the grantor.

3. EMERGENCY CIRCUMSTANCES

a. Section 3732 Authority. In addition to appropriated funds, the Military Departments may be authorized by the Secretary of Defense under the provisions of Sec. 3732, R.S. (41 U.S. Code 11) to incur obligations in excess of available appropriations in procuring or furnishing clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies not to exceed the necessities of the current fiscal year. OSD limits the use of Sec. 3732 R.S. authority to emergency circumstances requiring immediate action that cannot be delayed due to the nonavailability of sufficient funds. The responsible officer or official who exercises this authority to incur overobligation, overcommitment, or overexpenditure of funds is required to report immediately to the next higher echelon in accordance with the procedures in par. 032010-4c. These reports are handled expeditiously through the chain of command to permit prompt submission to OSD. Subsequently, if such overobligations cannot be covered through reprogramming of funds, it is necessary to request an appropriation from Congress for the required liquidation.

★b. General Provisions. For several years, the General Provisions of the Department of Defense Appropriation Acts have included authority for the President to exempt appropriations, funds, and contract authorizations, available for military functions under DOD, from the provisions of 31 U.S. Code 1517, action to be necessary in the interests of national defense. In this connection, the General Provisions have stated that upon the determination by the President that such action is necessary, the Secretary of Defense (SECDEF) is authorized to provide for the following costs as an excepted expense under the provisions of Sec. 3732 R.S.:

1. the cost of an airborne alert,
2. the costs necessary for an increase in the number of military personnel on active duty beyond the number for which funds have been provided in the applicable appropriation act.

When SECDEF exercises the authority to incur the costs in item 1 or 2, he must immediately advise Congress and report monthly thereafter on the estimated obligations. These data must be provided by the cognizant military departments.

c. Secretary of Defense Controls. Notwithstanding the authority contained in Sec. 3732 R.S., OSD requires that prior approval be obtained from SECDEF in situations where recourse to the exemption provisions is contemplated. In the situations cited in subpar. b, SECDEF prior approval is required; in the emergency circumstances cited in subpar. a, every reasonable communications effort must be made to secure prior SECDEF approval before unilateral action may be taken by a subordinate command to exercise the authority of Sec. 3732 R.S.

4. BUDGETARY TRANSFER AUTHORITY.

The Department of Defense Appropriation Act annually contains language which grants to the Secretary of Defense authority, with the approval of the Office of Management and Budget, to transfer funds between appropriations or funds in the current fiscal year upon determination that such action is necessary and in the national interest. The transfer authority normally is stated as a dollar limitation not to exceed a specified amount available to the Department of Defense for military functions covered by the act. Transferred amounts will be merged with and be made available for the same purpose and time period as the appropriation or fund to which transferred. Transfers shall not be authorized or requests for reprogramming made unless for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which funds are requested has been denied by the Congress. The Secretary of Defense must notify the Congress promptly of all transfers. Requests for transfers are handled as reprogramming actions as outlined in par. 073301.

★5. CONTROL OF YEAREND OBLIGATIONS. The General Provisions of the DOD Appropriation Act (see Appendix A) contains a section which provides that, except for certain specifically delineated programs, not more than 20 per centum of an annual appropriation shall be obligated during the last 2 months of the fiscal year. The Comptroller applies and monitors this restriction at the appropriation level. In addition, the Comptroller annually implements guidance provided by the Office of Management and Budget to control annual accounts at the end of a fiscal year. As a general policy, operations are to be carried out in the most effective and economical manner possible. The following general guidelines will govern the incurrence of obligations at yearend. Obligations for the fourth quarter of the fiscal year will not exceed obligations for the third quarter, except where a higher level is fully justified to carry out a seasonal requirement or an essential program objective. Orders for supplies, materials, and equipment for the balance of a fiscal year will be kept to the minimum required to meet approved program needs. Purchases for inventory will be managed so that inventories are maintained at no higher than normal levels. Generally, it would be expected that the number of weeks of inventory supply at the end of the year would not exceed the average end-of-month inventory for the first three quarters of a fiscal year. Additional purchase orders and contracts for goods or services (for delivery extending into the next fiscal year) may be entered into in cases that provide a comparative cost advantage to the Government. Employment will be held to the minimum necessary to accomplish the job and must be kept within any established end-of-year employment ceiling.

PART B: APPORTIONMENT

★073100 GENERAL

The action required to obtain release of appropriated funds by means of the apportionment process is the initial step in the budget execution phase. Apportionment is defined in DODDIR 7200.1 (see Volume 2, Appendix A) as "a determination by the Director of the Office of Management and Budget as to the amount of obligations which may be incurred during a specified period under an appropriation, contract authorization, other statutory authorizations, or a combination thereof, pursuant to 31 U.S. Code 1512." The law provides that appropriations or funds shall be apportioned so as to prevent obligation or expenditure of an account in a manner which would require a deficiency or supplemental appropriation and so as to achieve the most effective and economical use of the amounts made available. It also authorizes, in connection with the apportionment of any appropriation, the establishment of reserves to provide for contingencies or to effect savings whenever possible. It prohibits any apportionment or reapportionment which would indicate a necessity for a deficiency or supplemental estimate except as requirements arise from laws enacted by Congress subsequent to the original budget request or from emergencies involving the safety of human life, protection of property, or certain other unusual circumstances. In such instances, a detailed report of the facts of the case must be submitted to Congress. Under some circumstances, the Office of Management and Budget exempts certain appropriations from apportionment relying on other financial controls in lieu thereof. Office of Management and Budget Circular No. A-34, issued pursuant to 31 U.S. Code 1512, prescribes the forms and procedures for the required apportionment and reporting thereunder.

073101 APPROVAL PROCEDURE

1. TIMING

a. Formal Submission. The Assistant Secretary of Defense (Comptroller) (ASD(C)) requires the submission of an Apportionment and Reapportionment Schedule (DD Form 1105). ASD(C) prescribes the specific timing of submission requirements as imposed by the Office of Management and Budget in compliance with the Congressional Budget and Impoundment Act (P.L. 94-344).

b. Prior Review. ASD(C) requires the submission of proposed operating budgets and financial plans for review by his staff in anticipation of the formal submission of an apportionment request based on the enacted appropriation. This review provides an opportunity for a reassessment of budgetary requirements for the fiscal year which will begin on 1 October. The whole process begins several months prior to 1 October when the headquarters components (offices, bureaus, commands, or Headquarters, U.S. Marine Corps) direct shore activities and other command echelons to prepare operating budgets.

2. SUBMISSION REQUIREMENTS. Development of operating budgets and apportionment data is undertaken by the offices designated as responsible offices and/or administering offices for the various appropriations as well as by their component commands or activities, prior to receipt by the Comptroller of specific guidance from ASD(C). As soon as the Department of Defense guidance is available, the Comptroller issues a call for submission of apportionment material to his office in sufficient time for review prior to the submission to ASD(C). Additionally, to assist in determining the dollar needs by month prior to enactment of the annual appropriations, a monthly phasing of the total of cumulative obligations for the period October through March for both the direct and reimbursable programs of general fund appropriations is included as part of the initial apportionment request. Similar phasing for the OSD transfer accounts to the DON, excluding the Military Assistance accounts, are required to be submitted to the Comptroller. When the formal apportionment request is submitted subsequent to passage of the appropriation act, the DD Form 1105 for each appropriation must be accompained by supporting schedules, including a Proposed Financial Plan for Obligations, a Proposed Financial Plan for Expenditures, and an Analysis of Reimbursements. Instructions for preparation of the DD Form 1105 and the additional supporting schedules are included in the Budget Submissions manual. Each headquarters

component which is responsible for preparation of any part of the Apportionment Submission (either that required in the review prior to enactment or that required after the enactment of the appropriation), calls for participation by its component commands or by shore activities as required.

3. REVIEW AND AUTHORIZATION. As estimates flow from the shore activity to the headquarters level with review, revision, and consolidation occurring at each level of command, the latest guidance from appropriation/program sponsors and current estimates of requirements are reflected in the decisions made. The process of review of apportionment submissions within the Department of the Navy is described in the Department of the Navy Budget Guidance Manual. The Comptroller forwards the approved operating budget/financial plan/apportionment estimates to OSD. OSD is concerned with the substantive detail of the apportionment request as well as the dollar levels; accordingly, decisions are based on evaluations of program proposals (feasibility, desirability, priorities, timing, etc.) and procurement and research and development line items. With respect to the latter items, decision is required as to current release of funding authority or later release pending further study of need and justification. At the conclusion of this review process, determinations are made as to the approved funding for the Military Departments with appropriate documentation of obligational authority, based either on enacted appropriations or on a CRA.

★4. DOCUMENTATION OF OBLIGATIONAL AUTHORITY. In addition to the approved DD Forms 1105 (if received from the Office of Management and Budget), ASD(C) provides the Department of the Navy (DON) with a document which establishes authorized funding levels; i.e., obligational authority for direct and in some cases reimbursable programs for each appropriation. For annual appropriations, the document reflects quarterly distributions, which are subject to 31 U.S. Code 1512 at the overall appropriation level. If the approved apportionment has not been received because the appropriation has not been enacted or because the appropriation has been exempt from apportionment, it is nevertheless, incumbent upon ASD(C) to establish authorized funding levels as of the beginning of the fiscal year. Generally, the OSD funding authorization document establishes applicable program/budget activity/procurement line item/program element distributions of the total resources for the year. These documents are revised during the course of the year to reflect appropriation enactment, releases from deferral, reprogramming or other actions which affect the funding authority. The program/budget distribution amounts, which, in most cases, are in the nature of administrative limitations or targets, provide a base for reprogramming subject to stated limits for deviation without recourse to the issuing authority. The authorization documents vary with the appropriation involved. ASD(C) conveys obligational authority for the personnel, and Operation and Maintenance appropriations by means of a memorandum which approves obligational authority by quarter. For the Procurement appropriations, ASD(C) transmits a Procurement Program/Fund Approval for Direct Obligation (SD Form 487) which provides specific guidance as to line items that are approved for obligation and those line items which require further consideration as to timing, need, justification, etc., to be approved for obligation. As the latter items are approved for obligation, ASD(C) issues amendments to the initial SD Form 487. For Research and Development appropriations, ASD(C) issues RDT&E Program/Fund Authorization (SD Form 440) which establishes obligation limitations by budget subactivities (program elements). These RDT&E subactivity limitations constitute administrative subdivisions of funds subject to 31 U.S. Code 1512 constraints.

073102 REPORTING

1. MONTHLY

a. General. Monthly reports, required by the Office of Management and Budget (OMB) and the Office of the Secretary of Defense (OSD) to reflect the status of available funds, are submitted on the Report on Budget Execution (DD Form 1176), supplemented by the Report on Reimbursements (NAVCOMPT Form 2115). In addition, the DD Form 1176 is supported by a subsidiary report of transactions below the appropriation level, prepared on an Appropriation Status by Fiscal Year Program and Subaccounts (NAVCOMPT Form 2158). These reports are prepared monthly by the responsible office for each appropriation in accordance with Comptroller instructions and implementing directives of other headquarters components. The Director, Fiscal Management Division (OP-92) prepares the reports for Navy appropriations for which CNO is designated as responsible office. Subsidiary reports, often using the same forms, are prepared by administering offices and forwarded to the responsible office for its use in preparing a consolidated report for the appropriation. Upon receipt of all reports, the Office of Budget and Reports (OBR), on behalf of the Comptroller, coordinates the total Department of the Navy reports and forwards them to OSD, OMB, Congressional Budget Office, and the House Appropriations Committee.

b. Special Procedures. Prior to enactment of appropriations when operating under the authority of a CRA, the amounts of temporary warrants will be reflected on line 1A of DD Form 1176 each month beginning with October reports. Concurrently, the NAVCOMPT Form 2158 reports will be prepared on the basis of detailed authorizations allocated by Program/Fund Allocation (NAVCOMPT Form 2058) with a one-line adjustment at the appropriation level reducing, if necessary, to the level authorized by the temporary warrants the total available for obligation and commitment. (In the absence of a temporary warrant, adjust to the amount entered on line 1A of the related DD Form 1176.) Such adjustment is identified as "Unallocated NAVCOMPT Reserve" in column a, and appropriate minus amounts will be entered in columns b, c, d, and i. The summary totals at the end of the report are in the following format:

Subtotal Direct Program
Unallocated NAVCOMPT Reserve
Total Direct Program
Total Reimbursable Program
Undistributed Disbursements
Total FY __, Appropriation Title.

2. YEAR-END CLOSING STATEMENT. An annual report is prepared by the Comptroller's staff for the Treasury Department and submitted to OSD under the certification of the Assistant Secretary of the Navy (Financial Management) (ASN(FM)) as to the end-of-year (30 September) unobligated and unexpended balances, as well as the unpaid obligations, of all appropriations and funds. The Treasury Department uses the report to establish yearend balances and to withdraw or restore funds as necessary. The report, which meets the requirements of Section 1311 of Public Law 663, 83rd Congress (31 U.S. Code 200), as well as other legal and regulatory provisions, is submitted on the Year-End Closing Statement (Treasury Department Form (TFS 2108)). The report is prepared, certified, and forwarded to the Comptroller from the responsible office for each appropriation or fund account, based on subsidiary certifications from administering offices or suballocation holders as appropriate. The reports for appropriation accounts for which CNO is responsible office are prepared by FMD as staff for CNO. Copies of the report for all appropriations, as certified by ASN(FM), are furnished to the offices, bureaus, commands, and Headquarters, U.S. Marine Corps for use as the source of amounts to be shown in prior year columns of financial reports, budget status reports, apportionment and reapportionment schedules, and budget schedules and statements.

073103 REAPPORTIONMENT

A reapportionment is a request for a change to the latest approved apportionment/reapportionment. Request for reapportionment requires the same documentation as the initial apportionment and follows the same channels for preparation and approval.

PART C: ALLOCATIONS AND OPERATING BUDGETS

073200 DEFINITIONS

1. ALLOCATION. An allocation is an authorization by a designated official of a component of the Department of Defense, which makes funds available within a prescribed amount to an operating agency. In the Department of the Navy, allocations are made by the Comptroller to the head of the responsible office for the appropriation or, if the Comptroller is the responsible office, to the head of the administering office, as designated in par. 022201.

2. SUBALLOCATION. A suballocation is a transfer or delegation to the head of another office, bureau, or command of some portion of the authorization granted to an allocation holder. When the administration of an appropriation is divided, the allocation holder suballocates the entire amount of a budget activity, or other subdivision of the appropriation to the head of another office, bureau, or command when that organization has been designated as administering office for the budget activity. The suballocation document states that all financial control of, jurisdiction of, and responsibility for amounts allocated are passed to the recipient. Generally, suballocation is made to an official who exercises overall administrative responsibility for the execution of the programs funded by the applicable subdivision of the appropriation. Normally, the suballocation holder issues allotments to another official in the chain of command who exercises immediate supervision of some portion of the program for which the suballocation is provided. Suballocations are used only in the instances of appropriations which are not administered under the Resource Management Systems (RMS) concept of operating budgets.

3. ALLOTMENT. An allotment is an authorization granted within and pursuant to an allocation or suballocation for the purpose of incurring commitments, obligations, and expenditures. An allotment may be made to a subordinate of a headquarters component by name or to the commanding officer of a shore activity by title. Allotments are used only for appropriations which are not administered under the RMS concept of operating budgets. Suballotments may be issued by an allotment holder to transfer responsibility for administration of some portion of the funds to another activity. In such cases, the suballotment is in a fixed amount and carries the same responsibility for administrative control as a primary allotment.

4. OPERATING BUDGET. The operating budget under the RMS concept consists of an approved operating plan which is the basis of authorization and financial control of resources available for the execution of program or programs of the indicated organizational or command level. The authorizations under RDT&E,N and the operation and maintenance accounts vary in format, but both identify appropriation obligational authority for direct program costs and an amount for any approved reimbursable program, which may be increased to the extent of accepted reimbursable orders which qualify for automatic apportionment. In addition, military personnel expense authority is indicated as necessary. Footnotes on the operating budget state the nature and amount of all administrative and statutory limitations.

5. OPERATING TARGET. Operating targets are in the nature of planning estimates which provide a convenient mechanism for measuring performance of subordinate commands or departments of activities which hold operating budgets or for measuring performance of command levels which hold allotments or suballotments. The operating target grantor retains the responsibility for administrative control of the funds.

6. LIMITATIONS

★a. Statutory. Statutory limitations are those fiscal constraints on the obligation and expenditure of appropriated funds which are imposed by restrictions stated in law. The major statutory limitation is that contained in 31 U.S. Code 1517, which prohibits any act which will cause an obligation or expenditure in excess of the apportioned or reapportionment made for an appropriation or any administrative subdivision thereof, including allotments (see par. 032001). Title X of the Congressional Budget and Impoundment Control Act of 1974, P.L. 94-344, impacts on the ability of the Executive Branch to impound (rescission or defer) funds. Detailed interpretive and procedural guidance on these impoundments is contained in the current issuance of NAVCOMPTINST 7300.104 and DOD Budget Guidance Manual. Another significant statutory limitation is contained in 31 U.S. Code 1301. This provision of law pertaining to the application of monies appropriated requires that appropriated funds be used only for the programs and purposes for which the appropriation is made. In addition, certain other provisions of law which must be administered as limitations establish the maximum or minimum amount which may be used under an appropriation or appropriations for a specified purpose. These limitations include such items as the ceiling imposed in the Department of Defense Appropriation Act on the amount available for operation of overseas dependents schools, the amount available in the Operation and Maintenance, Navy, appropriation for emergency and extraordinary expenses, also called Contingencies of the Navy and available for purposes certified by the Secretary of the Navy, or the floor established in the operation and maintenance appropriations for maintenance of real property facilities (i.e., a specified amount available only for that purpose). These limitations whether they establish maximum or minimum amounts require special systems for administration, accounting, and reporting to insure compliance. There are other legal limitations which are unrelated to specific amounts. For example, there is a basic prohibition against the expenditure of Federal funds for purposes which are not authorized by law. In the Department of the Navy an example of such expenditure is that incurred for entertainment. If such costs are not within the authorization granted under Contingencies of the Navy, they may not be funded by appropriations.

b. Limitations Imposed by Grantors

★(1) Two Major Divisions of Constraints. Other limitations or constraints on financial authority (operating budget authority or obligational authority) may be imposed by the grantor at any level as further subdivisions of funds are made to the next subordinate level. These constraints may be separated into two major divisions: those which carry the applicability of statutory constraints, under 31 U.S. Code 1512, as specific and absolute limitations; and those which are subject to flexibility without the intention that they be considered as separate subdivisions of funds and are therefore exempt from the consequences of legal limitations.

★(2) Legal. Constraints to which the statutory limitations of 31 U.S. Code 1512 apply carry firm dollar limitations established by either program categories, cumulative quarterly limitations by program category or budget activity, or other limitations on items of interest to Congress or some command or management level. These substantive limitations which restrict the availability of fund authorizations (passed to a subordinate level limiting authority to incur obligations or make expenditures) may not be levied unless they are extensions of identical restrictions imposed by the preceding funding authority or have the documented approval of that authority.

(3) Other. Restrictions not subject to legal limitations are stated in terms of advisory guides to the recipients, allowing options or an amount of flexibility (usually as stated percentage of an initial amount) in the use of funding. Restrictions of this nature may be imposed on a subordinate level without the authorization of a higher funding level. However, the use of such restrictions should be limited to situations where normal management type reporting cannot accomplish the desired control of expenses. It is important to note that the basic tenet

of the RMS financial management systems is that fencing restrictions be kept at a minimum necessary to adhere to statutory or other regulatory requirements. Authorizations to which these restrictions are applied usually require the recipient/holder to report to grantors any anticipated variances or need for adjustments in such constraints. Requests for the desired modifications or adjustments usually are submitted via a plan that would permit them to be accomplished within current availabilities.

7. **REIMBURSEMENTS.** Reimbursements are the amounts received or to be received by an agency or activity for the cost of material, work, or services

furnished or to be furnished to others for credit to an appropriation or other fund account or subdivision thereof. For all appropriations in which a reimbursable program is administered, the allocation includes amounts for anticipated reimbursements, exclusive of work and service reimbursable orders which are subject to automatic apportionment and therefore provide an automatic increase to the allocation.

★073201 ALLOCATION

1. GENERAL. The Department of the Navy system for the administration of funds is designed to provide for the allocation and use of resources by appropriate organizational components in accordance with currently approved plans and decisions of the Secretary of the Navy, the Chief of Naval Operations, and the Commandant of the Marine Corps, as modified by decisions and actions of the Secretary of Defense, the Office of Management and Budget, the President, and Congress, and in compliance with any requirements of law or regulations. This Chapter describes procedures of general applicability.

2. PURPOSE. Allocations provide a means of establishing responsibility for fund administration and of ensuring compliance with congressional intent and Office of the Secretary of Defense (OSD) constraints in the use of funds for programs below the appropriation level. The amounts allocated, within the program/budget distributions applicable to each appropriation, provide dollar limitations for use in administration, accounting, and control. They are subject to reprogramming limitations established by OSD and the Comptroller as described in pars. 073301 and 061400.

★3. DOCUMENTATION. The document generally used to convey authority from the Comptroller to the head of the responsible office for each appropriation to make commitments, obligations, and expenditures is the Program/Fund Allocation (NAVCOMPT Form 2058). These allocations establish availability based on the budget as submitted to Congress and modified by congressional action on the budget request, by apportionment action of the Office of Management and Budget and the OSD, and by approved reprogramming actions. Prior to enactment of the annual Appropriation Act, the NAVCOMPT Form 2058 establishes the level of programs authorized under the continuing resolution and provides interim funding for general fund appropriations of the Department of the Navy (DON) and OSD transfer accounts to the DON for Retired Pay, Defense and Claims, Defense appropriations. Amounts are established within the authority of the restrictive limitations as stated on the ASD(C) memorandum for the personnel, and operation and maintenance appropriations; RDT&E Program/Fund Authorization (SD Form 440); and the Procurement Program/Fund Approval for Direct Obligation (SD Form 487); and other schedules issued by OSD in the fund authorization process. Upon enactment of the appropriations, amounts established as limitations subject to 31 U.S. Code 1512 through the interim funding procedures are rescinded and replaced by the amounts newly authorized. Distribution of availability within an appropriation is made by budget activity, procurement line item, construction category, program element, or other program category as appropriate to the administration of each appropriation.

4. SCOPE. The allocation includes both appropriated funds and anticipated reimbursements other than those for work and service orders which are subject to automatic apportionment and, therefore, automatically increase the allocation. It specifies the amounts that are available for obligation and the amounts that are not available for obligation. The amounts not available for obligation are categorized by OMB, OSD, and NAVCOMPT. Statutory or other limitations are indicated by footnotes. The amount of reimbursable work or service orders received and accepted is automatically allocated when apportionment is automatic and as a result is not part of the amount allocated on the NAVCOMPT Form 2058. However, in the second and subsequent years of availability the unobligated balance apportioned reflects the unobligated balance of reimbursable work and service orders from the prior year and thus becomes a part of the allocated amount. While operating under the authority of a continuing resolution, a reserve is established in Section IA and

II of the NAVCOMPT Form 2058 to balance authorized program amounts with financial resources contained in temporary warrants. Obligations and commitments may be incurred by procurement line item or other appropriation subdivision in the program amounts indicated on NAVCOMPT Form 2058 provided that the appropriation level limitations are not exceeded.

5. PREPARATION AND APPROVAL. NAVCOMPT Forms 2058 and 2058-CT are prepared and approved by the Office of Budget and Reports (OBR), on behalf of the Comptroller of the Navy. After approval, they are forwarded to the responsible office for the appropriation for implementation.

6. CONSTRAINTS. Generally, the NAVCOMPT Form 2058 establishes distributions for each program/budget category as applicable and indicates, by footnotes, the quarterly limitations at the overall appropriation level for those appropriations which are subject to quarterly apportionment. The recipient of the allocation is responsible for distributing the quarterly limitations as appropriate below the appropriation level, ensuring that the cumulative total of quarterly limitations does not exceed the quarterly apportionment for the appropriation. He is also responsible for establishing controls to ensure that any further subdivisions of allocated funds, as well as allotments, commitments, obligations, and expenditures, do not exceed the quarterly and annual limitations established by the NAVCOMPT Form 2058. Subsidiary constraints are shown as footnotes to the NAVCOMPT Form 2058, as appropriate, to reflect statutory and/or administrative requirements. The administration of these constraints is the responsibility of the allocation recipient.

7. ALLOTMENTS

a. General. As stated in par. 073200-3, allotments are used in connection with those appropriations which are not administered under the Resource Management Systems concept of operating budgets. They convey the authority to incur commitments and obligations and to make expenditures from the allocation or suballocation holder to an official who is charged with a specific function or mission. The allotment, prepared on the Allotment/Suballotment Authorization (NAVCOMPT Form 372), provides the basis for establishment of the accounts against which obligation and expenditure documents are charged.

★b. Limitations. Since an allotment is an administrative subdivision of funds, the total amount is a limitation within the meaning of 31 U.S. Code 1512. However, in the case of allotments from appropriations for which the Office of Management and Budget (OMB) has granted automatic apportionment of anticipated reimbursements for work or service orders accepted, such orders provide an automatic increase to the allotment. Although no more than one allotment is issued to an allottee from a given budget activity, the allotment may provide information as to further subdivisions at lower levels with stated degrees of flexibility as to adjustments between those subdivisions (see par. 061302-3).

c. Centrally Managed Allotments. A centrally managed allotment is an allotment in a specific amount made available by the holder of an allocation or suballocation for charges for specified purposes by designated officials, without specific limitations as to any individual official. Such allotments are established subject to the approval of the Comptroller when regular allotments are impractical. Charges to the centrally managed allotments must be limited to those for the specific functions for which the allotment is designated and must be restricted to transactions which fall within one budget activity. An allocation or suballocation holder may establish no more than one centrally managed allotment under a given budget activity. Adequate systems of control must be employed to prevent overobligation or overexpenditure. If absolute controls are not available, there must be at least a system of frequent accounting and reporting that will provide sufficient notice of the need for increasing the allotment or for imposing restrictions.

073202 OPERATING BUDGET PROCEDURE

1. GENERAL. When organizational components and activities are funded from the Operations accounts of the Navy or Marine Corps and Research, Development, Test and Evaluation, Navy (RDT&E,N) obligational authority and expense authority for military personnel of the Active Forces, which is applicable to activities funded under Operations accounts, are established by a system of development, submission, review, and approval of operating budgets. The process is similar to that followed in the budget formulation phase when the planning for a given budget year occurs 15 to 18 months prior to its beginning. As the budget cycle moves closer to the given budget year and assumes the place of "current year" in financial planning, more realistic estimates at all echelons afford a basis for consideration and approval of operating budgets and conveyance of expense and obligational authority.

2. DEVELOPMENT. As described in pars. 072102 through 072106, the development of an operating budget is a process of determining resource requirements at the lowest echelon (i.e., cost center or subcost center) and summarizing the requirements for all cost centers to arrive at the estimate for the total activity. The cost center manager, as well as the activity commander, utilizes guidance provided to him by higher authority and, in addition, considers the potential reimbursable work, if applicable. The requirements of individual shore activities are summarized and reviewed at the intermediate command level, and at all succeeding levels, until the estimates are ultimately summarized for total Department of the Navy review by the Office of Budget and Reports (OBR) as staff for the Comptroller.

3. SUBMISSION. Activities which are funded by operating budgets submit their estimated requirements to higher authority for approval in accordance with guidance forwarded via command channels from the Office of Naval Research (ONR), acting as staff for the Assistant Secretary of the Navy for Research, Engineering and Systems (ASN(RE&S)), the Fiscal Management Division (FMD) as staff for the Chief of Naval Operations (CNO), or the Commandant of the Marine Corps (CMC), as appropriate. For the Operations accounts, the submission is comprised of the Operating Budget/Expense Report (NAVCOMPT Form 2168) which distributes the estimates by activity/subactivity group, functional/subfunctional category, and cost account and the Activity Budget/Apportionment Submission (NAVCOMPT Form 2179-1) which arrays the estimates by element of expense within functional category and activity/subactivity group, with additional data and narrative that are required for review purposes. For the RDT&E,N account, the submission is comprised of the Request for Operating Budget (NAVCOMPT Form 2189) supported by a Direct Cost Budget Operating Report (NAVCOMPT Form 2190) and, for activities which distribute overhead, an Overhead Expense Budget (NAVCOMPT Form 2191). The NAVCOMPT Form 2189 is arrayed by program year, subhead, program element, project, and task. These budget forms contain total resource requirements, obligation plans, and targets for accrued expenditures and statistical costs for both direct program and reimbursable program. As the estimates are reviewed, adjusted, and compiled at higher command echelons, the submissions are aggregated and summarized.

4. REVIEW. Operating budget requirements for the fiscal year beginning 1 October of each year flow upward via the command chain to CNO, CMC, or ONR, as appropriate. The estimates are reviewed with the assistance of appropriation/program sponsors, and revisions are made as necessary to meet the apportionment submission requirements of the Comptroller. Upon completion of the Comptroller's staff review, the operating budget apportionment requirements of the two Services, together with the estimates for all other Navy and Marine Corps appropriations, are forwarded to the Office of the Secretary of Defense (OSD) as the proposed financial plan of the Secretary of the Navy when apportionment review is required. As stated in par. 073101, the planning at this point in time takes into account any congressional action on appropriation or authorization requests, either by the committees or the two congressional bodies. The OSD analysts review the details of estimated Navy and Marine

Corps operating budget requirements and hold joint hearings with Office of Management and Budget (OMB) examiners.

5. FINANCIAL AUTHORITY

a. OSD

(1) Operations. For operating budgets applicable to Operations accounts, OSD conveys financial authority to the Department of the Navy by means of a "Schedule of Cumulative Obligation and Expense Authority." As applicable to the four Operations accounts of the Navy and Marine Corps, each Schedule provides direct program obligational authority in terms of the primary programs of the Five Year Defense Program (FYDP), the specifically authorized reimbursable program, and direct military personnel expense authority for the Active Forces, including interservice assignments of military personnel between the Navy and the Marine Corps, and excluding military personnel assigned to Defense agencies, the Office of the Secretary of Defense, the Organization of the Joint Chiefs of Staff, and to activities financed by DOD appropriations for civil functions. Administrative and statutory limitations are stated by footnote. In addition, OSD authorizes a second operating budget for each military service which provides expense authority for "Other Military Personnel Operations." This operating budget contains expense authority for military personnel costs, applicable to the Active Forces, which are not covered in the military personnel standard rates (e.g., permanent change-of-station travel, personnel assigned to "Support of Allies," and the reimbursable program of the respective military personnel (Active Forces) appropriation) and it is not applicable to operating budget procedures under Operations accounts or RDT&E,N.

(2) Research, Development, Test and Evaluation, Navy. For operating budgets applicable to RDT&E,N, OSD conveys financial authority to the Department of the Navy by means of a RDT&E Program/Fund Authorization (SD Form 440) which establishes obligation limitations by program element. Expense authority for military personnel of the Active Forces applicable to research and development effort is included in the financial authority provided for the Operations accounts, as described in subpar. (1), and consequently it is not identified to RDT&E,N operating budgets during the OSD allocation process.

b. Comptroller of the Navy. The Comptroller allocates funds for operating budgets under the RDT&E,N and the Operation and Maintenance appropriations of the Navy and Marine Corps to the responsible office for the appropriation (ASN(RE&S), CNO, and CMC, as appropriate) by means of a Program/Fund Allocation (NAVCOMPT Form 2058). The NAVCOMPT Form 2058 conveys the obligational authority and expense authority applicable to Operations accounts, together with constraints and limitations, as transmitted by OSD, as outlined in subpar. a. The expense authority for "Other Military Personnel Operations" is passed to the responsible offices for the military personnel appropriations by inclusion in footnotes on the NAVCOMPT Form 2058 making allocations for these accounts. For RDT&E,N the NAVCOMPT Form 2058 conveys the obligational authority and appropriate constraints and limitations and carries the SD 440 as an enclosure. The NAVCOMPT Form 2058 also establishes a base for reprogramming actions based on amounts reflected in the President's budget, as amended by the apportionment review.

c. Chief of Naval Operations. After receiving the allocations signed by the Director, Office of Budget and Reports (OBR) for the Operation and Maintenance, Navy (O&MN) and Operation and Maintenance, Navy Reserve (O&MNR) appropriations, the staff of the Fiscal Management Division (FMD), acting on behalf of the Chief of Naval Operations (CNO) issues operating budgets for the Operations, Navy and Operations, Navy Reserve accounts to the organizational components which are designated as major claimants. The claimants are listed in par. 071122. Operating budgets reflect the same categories of obligational authority and constraints as were transmitted from the Comptroller, as well as additional clarifying information of interest to the particular claimant. The Central Operating Activity for the Navy, under the command of the Chief of Naval Personnel, acts in a staff capacity for CNO in the management of the target amounts for military personnel expenses.

d. Commandant of the Marine Corps. After receiving the allocations from the Director, Office of Budget and Reports (OBR) for the Operation and Maintenance, Marine Corps and the Operation and Maintenance, Marine Corps Reserve appropriations, the Commandant of the Marine Corps issues operating budgets to responsibility centers. These operating budgets reflect the obligational authority and constraints which are imposed by the Comptroller and Headquarters, U.S. Marine Corps. Designated Marine Corps responsibility centers are authorized to issue suboperating budgets. The Central Operating Activity of the Marine Corps acts in a staff capacity for the management of the target amounts for military personnel expenses of the Active Forces.

e. Chief of Naval Research. The Chief of Naval Research (ONR), acting as staff for ASN(RE&S), receives the allocation from the Director, Office of Budget and Reports (OBR) for RDT&E,N. As responsible office for the appropriation, and in accordance with the direction of ASN(RE&S) and his principal assistants, ONR suballocates the amounts approved for obligation to the sponsoring commands at the headquarters level, specifying the same categories of obligational authority and constraints as were transmitted from the Comptroller and providing additional detailed information, as necessary. The sponsoring commands, in turn, issue operating budgets to activities based on approved funding by program year, program element, project, and task.

f. Major Claimants

(1) General. The operating budget received by a major claimant is available for issuance as prescribed in subpars. (2), (3), and (4).

★(2) Subclaimant Operating Budget. The subclaimant operating budget is a subdivision of major claimant financial authority made available to a subordinate command. These budgets are prepared in format similar to the Resource Authorization (NAVCOMPT Form 2168-1) prescribed in the Financial Management of Resources (NAVSO P-3014-1) for use for the responsibility center operating budget. They reflect a distribution of authority at such program/budget levels as are desired by the major claimant for purposes of control and reporting. The subclaimant's operating budget is available for issuance of appropriate segments to expense limitation holders and for issuance of operating budgets to responsibility centers.

(3) Expense Limitation Operating Budget. Either the major claimant or subclaimant may issue financial authority to an intermediate level of command, such as a type commander, functional commander, or similar command, as an expense limitation operating budget. A format similar to the NAVCOMPT Form 2168-1 is used to establish the expense limitation operating budget from which the expense limitation holder issues operating budgets to responsibility centers.

★(4) Responsibility Center Operating Budget. A responsibility center operating budget may be established by the major claimant, the subclaimant, or the expense limitation holder. Ordinarily, the term "responsibility center" is applied to shore activities; however, responsibility center operating budgets also may be issued for headquarters operations of a major claimant/subclaimant, for centrally managed programs at any command level, or for Navy-wide (open) operating budgets. The NAVCOMPT Form 2168-1 is used to establish authorized levels of financial authority and appropriate limitations and constraints for the foregoing purposes. The holder of the responsibility center operating budget may subdivide the expense authority among the various cost centers which comprise the organization, but he continues to hold 31 U.S. Code 1512 responsibility with respect to obligational authority.

PART D: REVIEW AND REPROGRAMMING

073300 REVIEW

1. CONTINUING REVIEW. Program and comptroller personnel at all levels of financial and operating responsibility receive and analyze reports of operational or spending levels to determine needs for adjustment upward or downward or for reprogramming of resources in line with changes in timing, program emphasis, pricing, or other determinants of financial requirements. Accounting status reports used in conjunction with reports of performance, as well as the consistent exchange of data in connection with management decisions, indicate needs for additional funds or for deceleration of program activity, or may reveal the availability of savings for diversion to other urgent requirements.

2. MIDYEAR REVIEW. A concentrated review of performance under the Operations accounts (Navy and Marine Corps) is conducted by major claimants in March through May of each fiscal year. A comprehensive review of the Other Procurement, Navy account is also conducted. On a case-by-case basis, other accounts also undergo regularly scheduled, in-depth execution reviews. Detailed analyses for each budget category consider obligations to date and projected requirements for the balance of the year. Particular attention is directed toward providing resources for previously unfunded requirements caused by unforeseen program or pricing changes. Savings arising from budgeted programs which have experienced delay in implementation may be reapplied to provide for these new demands. This midyear review, beginning at the subordinate operating echelons, is carried through the chain of command.

073301 REPROGRAMMING

1. GENERAL. The congressional committees concerned with Department of Defense Appropriation Acts and the Authorization Acts related thereto are desirous that the Department of Defense carry out the programs for which funds have been justified and authorizations obtained. They have, however, accepted the view that rigid adherence to the amounts justified for budget activities or for subsidiary items or programs may unduly jeopardize the effective accomplishment of planned programs in the most businesslike and economical manner, and that unforeseen requirements, changes in operating conditions, revisions in price estimates, wage rate adjustments, etc., require some diversion of funds from the specific purposes for which they were justified. Reprogramming measures developed in consultation with the committees are, therefore, not only necessary and desirable but also provide a firm basis for retention of congressional control over the utilization of Defense appropriations by assuring that the congressional intent is carried out while, at the same time, providing a timely device for achieving flexibility in the execution of Defense programs.

2. DEFINITION. Reprogramming encompasses changes in the application of financial resources from the purposes originally contemplated and budgeted for. The term "reprogramming," however, has been extended to include actions at any level within the Department of Defense to reallocate or redistribute resources among program/budget categories. These reprogramming decisions are subject to constraints involving thresholds which establish the level of approval according to the scope of the proposed change.

3. LIMITATIONS AND THRESHOLDS. Limitations were imposed on the authority granted the Department of Defense to reprogram funds, effective with the Fiscal Year 1974 Department of Defense Appropriation Act. Two General Provisions of the 1974 and subsequent Appropriation Acts have had an impact on the reprogramming of funds. The first states that "No part of the funds in this Act shall be available to prepare or present a request to the Committees on Appropriations for the reprogramming of funds, unless for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which reprogramming is requested has been denied by the Congress." Under the General Provision covering the transfer authority granted to the Secretary of Defense there is also a provision that ". . . such authority may not be used unless for higher

priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the items for which funds are requested has been denied by the Congress. . . ." As an outgrowth of these provisions, modifications of the formal system governing reprogramming of funds were developed within Department of Defense after consultation with the congressional committees. This sytem, as modified:

1. establishes the base from which such reprogramming actions may be taken (Base for Reprogramming Actions (DD Form 1414));
2. specifies reprogramming actions requiring prior specific written approval of the Secretary of Defense, the Deputy Secretary of Defense, or the Assistant Secretary of Defense (Comptroller) (Reprogramming Action (DD Form 1415));
3. specifies reprogramming actions requiring prior approval of or timely notification to one or more of the committees of Congress;
4. establishes procedures for submission, approval, and processing of reprogramming actions;
5. prescribes a semiannual report (Report of Programs (DD Form 1416)) reflecting all reprogramming actions previously submitted to Congress, together with identification of the below threshold reprogramming actions not otherwise requiring submission to or approval by Congress or the Secretary of Defense.

4. REPROGRAMMING HEARINGS. Normally, the congressional committees require reprogramming hearings on all items of prior approval and, in many instances, even on those which do not require prior approval. When the reprogramming hearings relate to items which require authorization as well as appropriations, such reprogrammings may be discussed with both the Senate and House Armed Services Committees as well as with the two Appropriations Committees. In those instances where an item is of special interest to a particular committee and discussed in its report, that committee, alone, would usually hold the reprogramming hearing, with the other committees who normally might be involved waiving the conduct of a hearing. While the congressional committees have the option to require reprogramming hearings, the exercise of that option is subject to many considerations. The Director, Office of Budget and Reports (OBR) is the principal witness in all hearings when they relate to the reprogramming of dollars regardless of whether they are before the Armed Services Committees or the Appropriations Committees. The Director is normally accompanied by appropriate backup witnesses.

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CHAPTER 4

APPROPRIATIONS AND FUNDS

PART A: GENERAL CONCEPTS

Section I: TYPES AND PURPOSES OF APPROPRIATIONS AND FUNDS

074000 GENERAL

An appropriation is the authority provided by an Act of Congress to incur obligations for specified purposes and to make payments therefor out of the Treasury. Appropriations are classified in several different categories based on their purpose and length of availability. The Department of the Navy receives appropriations which are included in the Department of Defense Appropriation Act and in the Military Construction Appropriation Act. These appropriations are either annual, multiple year, or have been in the past, continuing, as defined in pars. 074001, 074002, and 074003. In addition to financing by means of appropriations, certain operations of the Department of the Navy are financed by funds such as revolving funds, management funds, and trust funds. When appropriations or other accounts are no longer available for obligation, they are referred to as expired accounts. It is prescribed by law that the unobligated balances be withdrawn from expired accounts for reversion to the Treasury. The procedures for the administration of expired accounts and successor accounts ("M" accounts) are provided in Volume 6, Chapter 4, Part C.

074001 ANNUAL APPROPRIATIONS

Annual appropriations are provided for active and Reserve military personnel expenses as well as for operation and maintenance expenses. The appropriations become available for obligation and expenditure at the beginning of the fiscal year designated in the Appropriation Act. Obligations may be incurred only during this designated fiscal year; however, the appropriations are available for the payment of such obligations for 2 years after the appropriations expire for new obligational purposes.

074002 MULTIPLE-YEAR APPROPRIATIONS

Multiyear appropriations are provided for the procurement of investment items including aircraft, shipbuilding, and weapons procurement. They are also provided for research, development, test, and evaluation as well as for military construction. The appropriations become available for obligation and expenditure at the beginning of the fiscal year designated in the Appropriation Act and remain available for a definite period in excess of one fiscal year. Obligations may be incurred only during the fiscal years specified in the act; however, the appropriations are available for the payment of such obligations for two years after the appropriations expire for new obligational purposes.

074003 CONTINUING APPROPRIATIONS

In the past, continuing appropriations have been provided for shipbuilding, military construction, and other special programs. These appropriations were available for obligation and expenditure until the funds were exhausted or until the purpose for which they were made available had been accomplished.

074004 REVOLVING FUNDS

A revolving fund is one established to finance a cycle of operations to which reimbursements and collections are returned for reuse in such a manner as to maintain the principal of the fund. It also may be known as a working capital fund, established to finance inventories of supplies or to provide working capital for industrial-type activities (see par. 031102). Revolving funds for the Department of the Navy include the stock funds and industrial funds of the Navy and Marine Corps, and the fund established to operate a laundry service for the Naval Academy.

074005 MANAGEMENT FUNDS

A management fund is a fund authorized by law to facilitate accounting for, and administration of, intragovernmental activities which are financed by two or more appropriations. In the case of the

Department of Defense, such funds have been authorized for each military department by 10 U.S. Code 2209 (see pars. 022084-3 and 035675). Within the Navy Management Fund, one account is currently maintained for transportation of things.

074006 TRUST FUNDS

A trust fund is a fund established to account for receipts which are held in trust for use in carrying out specific purposes and programs in accordance with an agreement or statute. Amounts deposited in these accounts may be used only in accordance with the terms of the trust or the statute. Navy trust funds include the Department of the Navy General Gift Fund, the United States Naval Academy Museum Fund, the United States Naval Academy General Gift Fund, the Office of Naval Records and History Fund, and the Ship's Stores Profits, Navy. In addition, there are trust revolving funds for the Midshipmen's Store of the United States Naval Academy and Surcharge Collections, Sales of Commissary Stores, Navy and Marine Corps.

Section II: APPROPRIATION LANGUAGE

074020 GENERAL

The language of each appropriation has evolved over the years to express precisely the purposes for which the funds are legally available in accordance with the intent of Congress regarding the use of appropriated funds. Despite the wide variety of naval programs, the text for each appropriation is relatively brief. Such brevity is possible because of the statutory references to basic authorizing legislation and because of the cumulative history of legal interpretation behind the words and phrases. Any proposed departure from established practice, therefore, requires careful legal scrutiny of authorizations and precedents. When authority for desired action cannot be found in existing language and the cumulative interpretations thereof, it becomes necessary to seek additions or changes in the next budget submission to Congress.

074021 STATUTORY REFERENCES

In the President's budget as submitted to Congress, the text of each appropriation is followed by references to all existing authorizing legislation (including currently effective amendments), treaties, or executive orders which continue in effect during the budget year. Statutory citations are usually by reference to the title and section of the United States Code. Executive orders are cited by date and number. In addition to the basic authorizing legislation, a citation is required to the regular and/or supplemental appropriation act or acts from which the text of the appropriation language has been taken. Wherever additional authorizing language is proposed, a notation to that effect is included at the end of the statutory references.

074022 GENERAL PROVISIONS

The annual Department of Defense Appropriation Act also includes General Provisions which set forth special instructions, restrictions, and permissive authority applying to the act as a whole. In order to provide the widest dissemination of these General Provisions, Appendix A provides all of the specific contents of the General Provisions of the DOD Appropriation Act for the current fiscal year. The DOD Military Construction Appropriation Act also contains General Provisions which govern the use of funds appropriated in the act and are provided in Appendix B. Following the passage of the appropriation acts each year, the Comptroller issues guidance in the current issuance of SECNAVINST 7040.10 as to primary and secondary responsibility assignments to organizational components for implementation of the General Provisions contained in the acts. Such assignments within the Department of the Navy are subject to, and must be consistent with, action taken by the Office of the Secretary of Defense.

074023 LANGUAGE CHANGES

The Office of Management and Budget Circular No. A-11 provides for agency proposals for changes to appropriation language to promote clarity and uniformity. In order to permit adequate consideration of substantive revisions, such proposed changes must be discussed with OMB representatives as soon as possible after the passage of the current year's Appropriation Act. The Office of the Secretary of Defense (OSD), unless it adjusts the timing requirement by memorandum, requires the submission of recommendation on such items from the military departments within 1 week after passage of the act. The Comptroller advises the responsible offices for the various appropriations of the requirement for such submission and establishes the related deadlines in accordance with OSD guidance. Proposed changes in language require adequate explanation or justification of the need.

074024 IMPLEMENTATION OF CONGRESSIONAL COMMITTEE REPORTS

Policies and procedures have been prescribed by the Department of Defense, and implemented for the Department of the Navy by the Comptroller, to ensure review of, and action on, all provisions of congressional committee reports—i.e., reports of House of Representatives and Senate Armed Services and Appropriations Committees, as well as conference committees, on authorization and appropriation acts for the Department of Defense. Responsibilities for the review and coordination of these reports are contained in the current issuance of NAVCOMPTINST 7130.25.

Section III: APPROPRIATION STRUCTURE

074040 PURPOSE

1. APPROPRIATIONS. Funds authorized by the Congress for use by the various Government departments are made available by appropriation. The appropriation provides both the framework for formulating budget requirements and the legal source from which to execute and subsequently account for authorized programs. They are made for specified purposes and cannot be expended for other than the purpose stipulated.

2. BUDGET ACTIVITY

a. General. Appropriations are divided into smaller accounts for various purposes. These divisions, called budget activities, appear in the program and financing schedule of the President's budget. For the direct program, budget accounts are established within each appropriation account to classify in a meaningful manner the specific functions contained in the budget as approved by the Congress. One budget activity covers the entire reimbursable program of an appropriation account. In the accounting system, a budget activity is identified by a symbol called a subhead; however, if necessary for administration, accounting, and control, subdivisions of a budget activity may be identified by individual subhead symbols, in which case, the budget activity is an aggregation of subheads.

b. Military Personnel Appropriations

(1) Active Duty Military Personnel Appropriations. The Military Personnel, Navy and Military Personnel, Marine Corps appropriations are organized under two structures. One structure is consistent with that of the major programs of the FYDP. This structure is used in distributing military personnel expense to the Operations, Navy and Operations, Marine Corps accounts for purposes related to operating budget expense authority and for providing summary budgetary data to the Congress. The second structure by budget activity conforms to uniform classification useful for manpower management, for providing detailed budget justification, for obtaining allocations, and for program execution.

(2) Reserve Personnel Appropriations. The Reserve Personnel, Navy and the Reserve Personnel, Marine Corps appropriations are both divided into two uniform budget activities, "Reserve Components Personnel" and "Reserve Officer Candidates." The subdivisions below the budget activity describe the several types of training programs within each budget activity.

c. Operation and Maintenance Appropriations. Budget activities within the operation and maintenance appropriations for the active forces conform to the FYDP major programs to which the appropriation applies, e.g., Strategic Forces, General Purpose Forces, etc. Within this overall structure, there are budget program packages which form the framework of the justification material provided to the Congress. These program packages are significant aggregations of related budget line items and discrete program elements of the FYDP structure. In some cases a budget line item equates to an individual program element; but, generally, budget line items, representing progam responsibilities assigned to various program managers, aggregate to a program element. Program execution and performance reporting are keyed to the budget structure with necessary input aggregated from data provided by the major claimant by subhead for each element or aggregation of elements. The operation and maintenance appropriations for the Reserve forces have a uniform structure consisting of budget activities for Mission Forces, Depot Maintenance, and Other Support. In total these three budget activities equate to FYDP Program 5, Guard and Reserve Forces.

d. Procurement Appropriations. Budget activities in the procurement appropriations are subdivided into line items as displayed in the justification material (Exhibit P-1), which is the basis of congressional review. For accounting and reporting purposes, each line item is assigned a minimum of one subhead within the general subhead for the budget activity.

e. Research, Development, Test and Evaluation. The budget activities in the Research, Development, Test and Evaluation, Navy appropriation are divided into budget subactivities which equate to program elements as contained in the Five Year Defense Program (FYDP).

f. Military Construction Appropriations. The Military Construction appropriations for Navy and Naval Reserve consist of budget activities for Major Construction, Minor Construction, Planning, and in the case of Military Construction, Navy an additional budget activity for Supporting Activities. The appropriation for Family Housing, Navy and Marine Corps provides for activities within the major categories of Construction, Operation and Maintenance, and Debt Payment.

g. Reimbursable Program. In all appropriations in which reimbursable program is administered, the reimbursable program is identified by at least one subhead. If the need arises as a result of an increase in the size, scope, or complexity of the program, the Comptroller may establish additional subheads for the purpose of improving fund administration or program control or of providing for more detailed accounting and reporting. Requests to the Comptroller from the administering office for the establishment of a subhead must have the approval of the responsible office.

074041 USES

1. BUDGET FORMULATION. The appropriation structure provides a formal framework within which to systematically develop and present budget estimates to higher authority for their review and approval. The structure also provides for consistent and orderly collection of historical data of the presentation and approval phases of the budget cycle.

2. BUDGET EXECUTION. The appropriation structure provides a managerial and legal basis for budget execution in a program display of funds appropriated by the Congress. Funds are distributed from the appropriation structure to the appropriate organizational level for program execution. Program performance can be measured against a standard structuring of funds in the same terms as approved by the Congress from the lowest increment through the appropriation level, providing meaningful information to higher review authority. Financial data in accounting and reporting systems is recorded in the standard structure of the individual appropriation. The integration of appropriation structure and accounting systems is described in Volume 2, Chapters 1 and 2.

074042 PROCEDURE FOR CHANGING

1. APPROVAL. Under the provisions of the Office of Management and Budget Circular No. A-11, the following types of changes must be cleared with the Office of Management and Budget:

★1. changes in the appropriation pattern, including proposed new accounts and changes in the titles and sequence of existing accounts;

2. changes in the methods of funding a program;

3. changes in program or budget activity classifications for the program and financing schedules for all appropriation accounts and funds.

2. TIMING. Subsequent to the issuance of Circular A-11 by OMB each year, the Office of the Assistant Secretary of Defense, Comptroller, OASD(C), will request that the DOD components submit by memorandum any proposals on the items listed above. If acceptable to OASD(C), these proposals will be forwarded to OMB for approval.

3. PROCEDURE. Annually, the Comptroller requests appropriate components to submit proposed changes to budget structure and content and appropriation language for the budget year under preparation. The request for changes is sent to the Office of the Assistant Secretary of Defense (Comptroller) (OASD(C)) for review and approval. The OASD(C) seeks Office of Management and Budget and congressional approval where necessary and advises the Navy of the changes approved, or if disapproved, provides the reasons therefor. Upon receipt of response from OASD(C), the Comptroller provides components with appropriate guidance for implementation.

PART B: MILITARY PERSONNEL APPROPRIATIONS

Section I: MILITARY PERSONNEL, NAVY

074100 SCOPE

1. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the Military Personnel, Navy (MPN) appropriation as follows:

> "For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Navy on active duty (except members of the Reserve provided for elsewhere), midshipmen, and aviation cadets; and for payments pursuant to Section 156 of Public Law 97-377, as amended (42 U.S. Code 402 note), and to the Department of Defense Military Retirement Fund; $ ________."

2. LIMITATIONS. As indicated in par. 072223, authorizing legislation is required for military personnel strength and specified training loads and no funds may be appropriated in any fiscal year for active duty personnel unless the end strength has been authorized by law. In addition, no funds may be appropriated for training military personnel in the training categories described in par. 072223-1 unless the average student load has been authorized by law.

074101 STRUCTURE AND CONTENT

1. GENERAL. The chart of accounts for the appropriation, Military Personnel, Navy, is in terms of standard Department of Defense budget and fiscal accounting classifications, for uniform application by the military departments in accomplishing the required budgeting, accounting, and reporting. Budget activities and subactivities within the budget program, which are listed and described in subpars. 2 through 7, form the basic structure of the chart of accounts for this appropriation.

2. BUDGET ACTIVITY 1, PAY AND ALLOWANCES OF OFFICERS. Budget Activity 1 provides for the pay and allowances authorized by law to be paid to officers, including commissioned and warrant officers of the regular forces and officers of the Reserve components on extended active duty. These costs include:

1. basic pay,
2. incentive pay for hazardous duty,
3. special duty,
4. basic allowance for quarters,
5. variable housing allowance,
6. basic allowance for subsistence,
7. ★ family separation allowance,
8. uniform allowances,
9. station allowances overseas,
10. separation payments,
11. Social Security Tax—employer's contribution.

3. BUDGET ACTIVITY 2, PAY AND ALLOWANCES OF ENLISTED. Pay and allowances authorized by law to be paid to enlisted personnel of the regular forces and enlisted members of the Reserve components on extended active duty are provided for in Budget Activity 2, as follows:

1. basic pay,
2. incentive pay for hazardous duty,
3. special pay,
4. proficiency pay,
5. reenlistment bonus,
6. enlistment bonus,
7. basic allowance for quarters,
8. variable housing allowance,
9. station allowances overseas,
10. clothing allowances,
11. family separation allowances,
12. separation payments,
13. Social Security Tax—employer's contribution.

4. BUDGET ACTIVITY 3, PAY AND ALLOWANCE OF CADETS AND MIDSHIPMEN.

Budget Activity 3 provides for the pay and allowances for the midshipmen at the Naval Academy.

5. BUDGET ACTIVITY 4, SUBSISTENCE OF ENLISTED PERSONNEL. Budget Activity 4 funds food requirements for the planned enlisted Navy strength as authorized by law as a basic allowance for subsistence or subsistence-in-kind.

6. BUDGET ACTIVITY 5, PERMANENT CHANGE-OF-STATION TRAVEL. Budget Activity 5 funds expenses incident to permanent change-of-station travel of both officer and enlisted personnel, individually or as an organized unit. See par. 075164 for a detailed description of the types of travel as follows:

1. accession travel,
2. training travel,
3. operational travel between duty stations,
4. rotational travel to and from overseas,
5. separation travel,
6. travel of organized units.

7. BUDGET ACTIVITY 6, OTHER MILITARY PERSONNEL COSTS. Budget Activity 6 funds costs incident to:

1. apprehension of military deserters, absentees, and escaped military prisoners;
2. interest on Uniformed Services savings deposits;
3. death gratuities;
4. Servicemen's Group Life Insurance.

074102 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead which divides each budget activity into definable and related programs or groups of programs for ease of administration. The Military Personnel, Navy appropriation 4-digit subhead numbering system identifies the following data elements:

First two digits—Authorized accounting activity
Third digit—Budget activity
Fourth digit—Budget subactivity

074103 ADMINISTRATION

1. APPORTIONMENT. Based on a dollar planning figure at the appropriation level and approved strength figures, an apportionment request is prepared by the Chief of Naval Operations (CNO), as the responsible office for the appropriation. The dollar planning figure at the appropriation level will accommodate any program and pricing changes that have occurred since submission of the President's annual budget. The content and format of the supporting material are similar to that required for the President's budget with an additional exhibit identifying quarterly obligation requirements.

2. EXECUTION. Upon receipt of authority, the Comptroller allocates funds to CNO by means of a Program/Fund Allocation (NAVCOMPT Form 2058). The appropriation is controlled by quarters and by activities. The CNO may adjust the distribution of funds allocated by the Comptroller, provided that the cumulative increase in any budget activity is within approved reprogramming constraints and that no increases in funds are allocated to items known to be, or that have been designated, items of special interest to the Congress. Funds for all costs except subsistence-in-kind and permanent change-of-station travel (PCS) are administered under centrally managed allotments. Funds for subsistence-in-kind are allotted to the Navy Food Service Systems Office. For PCS travel costs, CNO issues an operating target (OPTAR) to the Assistant Deputy Chief of Naval Operations for Military Personnel and Training, who subsequently issues sub-OPTAR's for officer and enlisted PCS to the Naval Military Personnel Command, reserving mandatory move funds and funds for procurement of demountable crates and unaccompanied baggage for direct application. Obligations under the centrally managed allotments are administratively established based generally on strength reports obtained from the Navy Manpower and Personnel Management Information System (MAPMIS); financial information reported through the Joint Uniform Military Pay System (JUMPS); and related reports and data. Obligations for subsistence-in-kind are established by the Navy Food Service Systems Office. Obligations for PCS are established on the basis of individually priced PCS orders at the sub-OPTAR/OPTAR level through the PCS Fund Control System. The CNO records

actual experience data in terms of strengths, obligations, and expenditures, which are then measured against planned objectives. Program execution is monitored with a view toward recommending program adjustments and reprogramming proposals, as required.

Section II: RESERVE PERSONNEL, NAVY

074120 SCOPE

★1. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the Reserve Personnel, Navy (RPN) appropriation as follows:

"For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Naval Reserve on active duty under section 265 of title 10, United States Code, or personnel while serving on active duty under section 672(d) of title 10, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing reserve training, or while performing drills or equivalent duty, and for members of the Reserve Officers' Training Corps, and expenses authorized by section 2131 of title 10, United States Code, as authorized, and for payments to the Department of Defense Military Retirement Fund; $ ________."

2. LIMITATIONS. As indicated in par. 072223, no funds may be appropriated for any fiscal year for the pay and allowances of members of any Reserve component of the Armed Forces unless the personnel strength of the Selected Reserve of that Reserve component for that fiscal year has been authorized by law.

074121 STRUCTURE AND CONTENT

1. GENERAL. The chart of accounts for the appropriation Reserve Personnel, Navy, is in terms of standard Department of Defense budget and fiscal accounting classifications, for uniform application by the military departments in accomplishing the required budgeting, accounting, and reporting. Budget activities and subactivities within the two budget programs, which are listed and described in subpars. 2 and 3, form the basic structure of the chart of accounts for this appropriation.

2. BUDGET ACTIVITY 1, RESERVE COMPONENT PERSONNEL

a. Training, Pay Group A. Training, Pay Group A, provides for the total costs of training officers and enlisted personnel of the Naval Reserve. Members who participate in this program are required to take active duty training tours of 2 weeks' duration and to perform 48 drills per year. In addition, personnel in the surface units of the antisubmarine warfare components and in selected aviation groups are authorized to participate in additional drills of 12, 36, or 72 periods in order to maintain proficiency. Costs for Pay Group A include:

1. pay and allowances, active duty for training, officer;
2. pay and allowances, active duty for training, enlisted;
3. pay, inactive duty training, officers;
4. pay, inactive duty training, enlisted;
5. individual clothing and uniform gratuities, officers;
6. individual clothing and uniform gratuities, enlisted;
7. subsistence;
8. travel, officers;
9. travel, enlisted.

b. Training, Pay Group B. Training, Pay Group B, provides for the total costs of training officers and enlisted personnel of the Naval Reserve. Members who participate in this program are required to take training duty of 2 weeks' duration and to perform 24 drills per year. Costs for Pay Group B include:

1. pay and allowances, active duty for training, officers;
2. pay and allowances, active duty for training, enlisted;
3. pay, inactive duty training, officers;

4. pay, inactive duty training, enlisted;
5. individual clothing and uniform gratuities, officers;
6. individual clothing and uniform gratuities, enlisted;
7. subsistence;
8. travel, officers;
9. travel, enlisted.

c. Training, Pay Group D. Training, Pay Group D, provides for the total costs of training officers and enlisted personnel of the Naval Reserve. Members who participate in this program may be authorized to take 2 weeks' training duty within available funds. The costs for Pay Group D include:

1. pay and allowances, active duty for training, officers;
2. pay and allowances, active duty for training, enlisted;
3. subsistence of enlisted personnel;
4. travel, officers;
5. travel, enlisted.

d. Training, Pay Group E. Training, Pay Group E, provides for the total costs of training enlisted personnel. However, the Navy is not currently training personnel in Pay Group E category. Members who participate in this program are required to take training duty of 1-month's duration because their geographical locations prevent them from performing drills. The costs for Pay Group E include:

1. pay and allowances, active duty for training, enlisted;
2. subsistence;
3. travel, enlisted.

e. Training, Pay Group F. Training, Pay Group F, provides for the total costs of training enlisted personnel. Members who participate in this program are required to take training duty for periods of from 4 to 10 months. Personnel in this pay group have had no prior service and are given intensive training. The costs for Pay Group F include:

1. pay and allowances, active duty for training, enlisted;
2. individual clothing and uniform gratuities, enlisted;
3. subsistence;
4. travel enlisted.

f. School Training. School Training provides for the total costs of training qualified officers and enlisted personnel who are participating in selected school programs. This training is designed to increase mobilization potential and to provide increased proficiency in high priority skills which cannot be achieved by regular drills and active duty for training. The costs for School Training include:

1. pay and allowances, active duty for training, officers;
2. pay and allowances, active duty for training, enlisted;
3. subsistence of enlisted personnel;
4. travel, officers;
5. travel, enlisted.

g. Special Training. Special Training provides for the total costs of training qualified officers and enlisted personnel who are participating in selected special programs. This training is designed to enable personnel to achieve immediate training requirements that cannot be met by other means and to support other training requirements. The costs for special training include:

1. pay and allowances, active duty for training, officers;
2. pay and allowances, active duty for training, enlisted;
3. subsistence of enlisted personnel;
4. travel, officers;
5. travel, enlisted.

h. Administration and Support. Administration and Support provides for the costs of designated Naval Reserve officers who are engaged in the training and administration of reservists at selected headquarters locations and for the costs of death gratuities, hospitalization, and the

Government's contribution to Servicemen's Group Life Insurance for Reserve personnel as authorized by law. These costs include:

1. pay and allowances of officers;
2. travel, officers;
3. death gratuities, officers;
4. death gratuities, enlisted;
5. disability and hospitalization benefits, officers;
6. disability and hospitalization benefits, enlisted;
7. Servicemen's Group Life Insurance.

3. BUDGET ACTIVITY 2, RESERVE OFFICER CANDIDATES

a. Senior Reserve Officers' Training Corps. Senior Reserve Officers' Training Corps provides for the costs of the contract students which include:

1. subsistence allowance;
2. uniforms, issues-in-kind;
3. uniforms, commutations in lieu of;
4. pay and allowances (summer training);
5. subsistence (summer training);
6. travel (summer training).

b. Scholarship Program. Scholarship Program provides for the costs of the scholarship Naval Reserve Officers' Training Corps program. The costs include:

1. subsistence allowance;
2. uniforms, issues-in-kind;
3. uniforms, commutation in lieu of;
4. pay and allowances (summer training);
5. subsistence (summer training);
6. travel.

c. Junior Reserve Officers' Training Corps. Junior Reserve Officers' Training Corps provides for uniforms of this Corps.

d. Reserve Officer Candidates. Reserve Officer Candidates includes the costs for training AVROC's. These costs include:

1. uniforms, issues-in-kind;
2. pay and allowances (summer training);
3. subsistence (summer training);
4. travel (summer training).

e. Armed Forces Health Professions Scholarship Program. The Armed Forces Health Professions Scholarship Program is to assist in improving medical service to DOD personnel. It includes costs of:

1. stipend;
2. uniform gratuities;
3. pay and allowance, active duty for training;
4. travel, active duty for training.

074122 BUDGET ACTIVITY SUBHEADS

The first subdivision under the appropriation is the budget activity which is identified in the account structure by a separate subhead. The Reserve Personnel, Navy appropriation 4-digit subhead numbering system identifies the following data elements:

First two digits—Administering office
Third digit—Budget activity
Fourth digit—Reserved for administering office use.

074123 ADMINISTRATION

1. APPORTIONMENT. Based on guidance provided by the Comptroller, which includes a dollar planning figure at the appropriation level and approved strength, an apportionment request is prepared by the Chief of Naval Operations (CNO) as the principal administering office for the appropriation. Generally, the content and format of the request are the same as required for the President's annual budget with an exhibit dividing the funds by quarter.

2. EXECUTION. Upon receipt of authority, the Comptroller allocates funds to CNO by means of a Program/Fund Allocation (NAVCOMPT Form 2058). The apropriation is controlled by quarters and by activities. CNO may approve a NAVCOMPT

Form 2058 adjusting the distribution of funds allocated by the Comptroller, providing that the cumulative adjustment is within the approved reprogramming constraints. Funds are centrally held by CNO for the pay and allowances and travel costs to support:

1. Training and Administration of Reserves (TAR) officers serving in selected billets;
2. participation in DOD/Navy special projects, selection boards, and Reserve policy boards.

Funds for the Reserve Component Personnel Activity are administered under an allocation granted by CNO to the Chief of Naval Reserve for:

1. drill pay,
2. annual active duty training pay and allowances and travel.

CNO allocates funds for the Reserve Officer Candidate Activity to the Chief of Naval Education and Training for the costs identified in par. 074121-3d. CNO allocates funds to the Commander, Naval Medical Command, for the Armed Forces Health Professions Scholarship Program as itemized in par. 074121-3e. Enlisted clothing obligations are established based on prior experience and expenditure data received through the Navy Accounting System. Officer clothing obligations are devised primarily from financial reports received from the Navy Finance Center, Cleveland, OH. Obligations for TAR officers at selected activities are established based on strength and expenditures. Death gratuities, disability and hospitalization benefits, and retroactive payments for ACDUTRA obligations are based on expenditures received through the Navy Accounting System. Program and budget plans are revised consistent with the allocation of funds resulting from the apportionment process. Actual experience data in terms of strengths, tours, obligations, and expenditures are monitored by CNO during execution.

Section III: MILITARY PERSONNEL, MARINE CORPS

074140 SCOPE

1. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the Military Personnel, Marine Corps (MPMC) appropriation as follows:

> "For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Marine Corps on active duty (except members of the Reserve provided for elsewhere); and for payments pursuant to Section 156 of Public Law 97-377, as amended (42 U.S. Code 42 note), and to the Department of Defense Military Retirement Fund; $ _________."

2. LIMITATIONS. As indicated in par. 072223, authorizing legislation is required for military personnel strength and specified training loads and no funds may be appropriated in any fiscal year for active duty personnel unless the end strength has been authorized by law. In addition, no funds may be appropriated for training military personnel in the training categories described in par. 072223-1 unless the average student load has been authorized by law.

074141 STRUCTURE AND CONTENT

1. GENERAL. The appropriation Military Personnel, Marine Corps, is divided into 6 activities which, in turn, are subdivided into numerous subactivities covering all aspects of military personnel budgeting. The chart of accounts listed in subpars. 2 through 7 addresses each of the budget activities as shown in the President's budget and identifies the contents of each budget activity as it pertains to the Marine Corps.

2. BUDGET ACTIVITY 1, PAY AND ALLOWANCES OF OFFICERS. Budget Activity 1 funds pay and allowances authorized by law to be paid to officers, including commissioned and warrant, of the regular forces and officers of the reserve components on extended active duty. These costs include:

1. basic pay,
2. incentive pay,

3. special pay,
4. basic allowances for quarters,
5. variable housing allowances,
6. basic allowances for subsistence,
7. station allowances overseas,
8. uniform allowances,
9. family separation allowances,
10. separation payments,
11. Social Security Tax—employer's contribution.

3. BUDGET ACTIVITY 2, PAY AND ALLOWANCES OF ENLISTED PERSONNEL. Budget Activity 2 funds pay and allowances authorized by law to be paid to enlisted personnel of the regular forces and enlisted members of the Reserve components on extended active duty. These costs include:

1. basic pay,
2. incentive pay,
3. special pay,
4. proficiency pay,
5. reenlistment bonus,
6. enlistment bonus,
7. basic allowances for quarters,
8. variable housing allowances,
9. station allowances overseas,
10. clothing allowances,
11. family separation allowances,
12. separation payments,
13. Social Security Tax—employer's contribution.

4. BUDGET ACTIVITY 3, PAY AND ALLOWANCES OF CADETS. Budget Activity 3 funds pay and allowances of Marine Aviation Cadets (temporarily suspended).

5. BUDGET ACTIVITY 4, SUBSISTENCE OF ENLISTED PERSONNEL. Budget Activity 4 funds food requirements for the planned enlisted Marine strength as authorized by law as a basic allowance for subsistence or subsistence-in-kind.

6. BUDGET ACTIVITY 5, PERMANENT CHANGE-OF-STATION TRAVEL. Budget Activity 5 funds expenses incident to permanent change-of-station travel of both officer and enlisted personnel, individually or as an organized unit. See par. 075164 for a detailed description of the types of travel as follows:

1. accession travel,
2. training travel,
3. operational travel between duty stations,
4. rotational travel to and from overseas,
5. separation travel,
6. travel of organized units.

7. BUDGET ACTIVITY 6, OTHER MILITARY PERSONNEL COSTS. Budget Activity 6 funds costs incident to:

1. apprehension of military deserters, absentees, and escaped military prisoners;
2. interest on Uniformed Services savings deposits;
3. death gratuities;
4. Servicemen's Group Life Insurance.

074142 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead which divides each budget activity into definable and related programs or groups of programs for ease of administration. The Military Personnel, Marine Corps appropriation 4-digit subhead numbering system identifies the following data elements:

First two digits—Administering office
Third digit—Budget activity
Fourth digit—Budget subactivity

074143 ADMINISTRATION

1. APPORTIONMENT. Based on guidance provided by the Comptroller, the Fiscal Director of the Marine Corps prepares an apportionment request.

★2. EXECUTION. Upon receipt of authority, funds are allocated to the Marine Corps by the Comptroller. The allocation is based on the requested distribution prepared by the Fiscal Director of the Marine Corps in the schedule of Program/Fund Allocations (NAVCOMPT Form 2058). The appropriation is controlled by quarters and by activities. Changes in quarterly or activity totals can be made only if a request is submitted within specific time limitation and if the amounts are within available funds. The Fiscal Director of the Marine Corps issues an allocation of the apportioned amounts, by activity, to appropriate project sponsors. The allocation to the Deputy Chief of Staff for Installations and Logistics covers Budget Activity 4B, Subsistence-in-Kind, which is allotted to 11 major installations with the balance in an allotment held by Headquarters, U.S. Marine Corps for use by other installations and for payment of bills from other services and agencies. The Fiscal Director retains responsibility for and administers as an open allotment the allocations for all Budget Activities except Budget Activity 3 (Pay and Allowances of Cadets). Accordingly, the Fiscal Director approves budget activity allocation schedules for Subsistence-in-Kind and PCS Travel and passes the responsibility, by name, by inclusion of the following statement in the schedule: "This document constitutes a transfer of legal responsibility for funds under 31 U.S. Code 1517." The Fiscal Director retains responsibility for Pay and Allowances including Basic Allowance for Subsistence and Other Military Personnel Costs even though the Deputy Chief of Staff for Manpower has been designated appropriation sponsor.

Section IV: RESERVE PERSCNNEL, MARINE CORPS

074160 SCOPE

1. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the Reserve Personnel, Marine Corps (RPMC) appropriation as follows:

> "For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Marine Corps Reserve on active duty under section 265 of title 10, United States Code, or while serving on active duty under section 672(d) of title 10, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing reserve training, or while performing drills or equivalent duty, and for members of the Marine Corps platoon leaders class, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; and for payments to the Department of Defense Military Retirement Fund; $ _________."

2. LIMITATIONS. As indicated in par. 072223, no funds may be appropriated for any fiscal year for the pay and allowances of members of any reserve component of the Armed Forces unless the personnel strength of the Selected Reserve of that reserve component for that fiscal year has been authorized by law.

074161 STRUCTURE AND CONTENT

1. GENERAL. The chart of accounts for the appropriation Reserve Personnel, Marine Corps, is in terms of standard Department of Defense budget and fiscal accounting classifications for uniform application by the military departments in accomplishing the required budgeting, accounting, and reporting. Budget activities and subactivities within the two programs, which are listed in subpars. 2 and 3, form the basic structure of the chart of accounts for this appropriation.

2. BUDGET ACTIVITY 1, UNIT AND INDIVIDUAL TRAINING

a. Training, Pay Group A. This provides for costs of 48 annual regular drill periods, additional paid drills as prescribed by the Commandant of the Marine Corps (CMC) and annual training duty for Class II reservists. Costs for Pay Group A include:

1. pay and allowances, active duty for training, officers;
2. pay and allowances, active duty for training, enlisted;
3. pay, inactive duty for training, officers;
4. pay, inactive duty for training, enlisted;

5. individual clothing and uniform gratuities, officers;
6. individual clothing and uniform gratuities, enlisted;
7. subsistence of enlisted personnel;
8. travel, active duty for training, officers;
9. travel, active duty for training, enlisted.

b. Training, Pay Group B. This provides for costs of active duty training of Selective Marine Corps Reserve (SMCR) personnel which includes 24 annual regular drill periods, additional paid drills as prescribed by Commandant of the Marine Corps (CMC) and 15 days annual training duty. Costs for Pay Group B include:

1. pay and allowances, active duty for training, officers;
2. pay and allowances, active duty for training, enlisted;
3. pay, inactive duty for training, officers;
4. pay, inactive duty for training, enlisted;
5. individual clothing and uniform gratuities, officers;
6. individual clothing and uniform gratuities, enlisted;
7. subsistence of enlisted personnel;
8. travel, active duty for training, officers;
9. travel, active duty for training, enlisted.

c. Training, Pay Group C. This provides for costs for 12 annual regular drill periods, additional paid drills as prescribed by the Commandant of the Marine Corps (CMC) and 15 days annual training for SMCR reservists. Cost for Pay Group C include:

1. pay and allowances, active duty for training, officers;
2. pay and allowances, active duty for training, enlisted;
3. pay, inactive duty for training, officers;
4. pay, inactive duty for training, enlisted;
5. individual clothing and uniform gratuities, officers;
6. individual clothing and uniform gratuities, enlisted;
7. subsistence of enlisted personnel;
8. travel, active duty for training, officers;
9. travel, active duty for training, enlisted.

d. Training, Pay Group F. This provides for costs of training for non-prior service personnel. Members who participate are required to take training duty for periods from 5 to 12 months. Costs for Pay Group F include:

1. pay and allowances, active duty for training, enlisted;
2. individual clothing and uniform gratuities, enlisted;
3. subsistence of enlisted personnel;
4. travel, active duty for training, enlisted.

e. Training, Pay Group P. This provides for cost of enlisted high school students in a drill pay status prior to initial active duty for training. Such members are due to complete high school and enter active duty for training within 6 months after enlistment. Costs for Pay Group P include:

1. pay, inactive duty training, enlisted;
2. subsistence of enlisted personnel;
3. individual clothing and uniform allowances, enlisted.

3. BUDGET ACTIVITY 2, OTHER TRAINING AND SUPPORT

a. Training, Pay Group D. This provides for costs of active duty for training of Individual Ready Reservists (IRR) preassigned to a mobilization billet, which includes annual training of approximately 2 weeks. Costs for Pay Group D include:

1. pay and allowances, active duty for training, officers;
2. pay and allowances, active duty for training, enlisted;
3. individual clothing and uniform gratuities, officers;
4. individual clothing and uniform gratuities, enlisted;
5. subsistence of enlisted personnel;
6. travel, active duty for training, officers;
7. travel, active duty for training, enlisted.

b. Training, Pay Group E. This provides for costs of active duty for training of individual Ready Reservists not preassigned to mobilization billets which includes annual training of approximately 2 weeks. Costs for Pay Group E include:

1. pay and allowances, active duty for training, officers;
2. pay and allowances, active duty for training, enlisted;
3. individual clothing and uniform gratuities, officers;
4. individual clothing and uniform gratuities, enlisted;
5. subsistence of enlisted personnel;
6. travel, active duty for training, officers;
7. travel, active duty for training, enlisted.

c. School Training. This provides for costs of active duty for training of Class II reservists and Individual Ready Reservists at formal schools for the purpose of refresher and proficiency training, Military Occupational Specialty (MOS) training, career development, and such other training as is considered appropriate by the CMC. Costs for School Training include:

1. pay and allowances, active duty for training, officers;
2. pay and allowances, active duty for training, enlisted;
3. individual clothing and uniform gratuities, officer;
4. individual clothing and uniform gratuities, enlisted;
5. subsistence of enlisted personnel;
6. travel, active duty for training, officers;
7. travel, active duty for training, enlisted.

d. Special Training. This includes costs of active duty for training of SMCR and Individual Ready Reservists for the purpose of air support; inter-unit maintenance; commanding officer conference of Reserve units, Mobilization Training Units (MTUs), Annual Training Duty (ATD) planning and exercise planning, marksmanship and such other purposes in support of Marine Corps Reserve training as is considered appropriate by the CMC. Costs for special training include:

1. pay and allowances, active duty for training, officers;
2. pay and allowances, active duty for training, enlisted;
3. individual clothing and uniform gratuities, officers;
4. individual clothing and uniform gratuities, enlisted;
5. subsistence of enlisted personnel;
6. travel, active duty for training, officers;
7. travel, active duty for training, enlisted.

e. Junior Reserve Officers' Training Corps. This provides for uniforms of this Corps at public and private secondary educational institutions.

f. Administration and Support. This provides for costs for reserve officers and enlisted personnel on active duty under 10 U.S. Code 265, 672D/678 and Reserve bonuses for IRR/SMCR personnel and for death gratuities, and disability and hospitalization benefits for officer and enlisted Reserve component personnel. Costs include:

1. pay and allowances of officers;
2. pay and allowances of enlisted personnel;
3. permanent change-of-station travel;
4. death gratuities, officers;
5. death gratuities, enlisted;
6. disability and hospitalization benefits, officers;
7. disability and hospitalization, enlisted.

074162 BUDGET ACTIVITY SUBHEADS

The first subdivision under the appropriation is the budget activity which is identified in the account structure by a separate subhead. The Reserve Personnel, Marine Corps appropriation 4-digit subhead numbering system identifies the following data elements:

First two digits - Administering office
Third digit - Signifies Reserves
Fourth digit - Budget activity.

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074163 ADMINISTRATION

1. APPORTIONMENT. Based on guidance provided by the Comptroller, the Fiscal Director of the Marine Corps prepares an apportionment request.

2. EXECUTION. Upon receipt of Program/Fund Allocations (NAVCOMPT Form 2058) from the Comptroller of the Navy, the Fiscal Director of the Marine Corps (FDMC) suballocates funds to the Deputy Chief of Staff for Reserve Affairs (DCS/RA), within the uniform appropriation structure and a standard budget and fiscal accounting classification of obligations and disbursement. The DCS/RA issues allotments to shore activities for clothing and travel costs covered in Budget Activity 1 and the Marine Corps Junior Reserve Officer Training Corps portion of Budget Activity 2. The Fiscal Director, Marine Corps, authorizes disbursing activities to charge appropriate open allotments for all other costs financed under this appropriation. The Director, Marine Corps Reserve, provides the Fiscal Director with data to administer the open allotment in Budget Activity 1. The Director, Personnel Management Division/Assistant Deputy Chief of Staff for Manpower provides the Fiscal Director with data to administer the open allotment in Budget Activity 2.

PART C: OPERATION AND MAINTENANCE APPROPRIATIONS

Section I: OPERATION AND MAINTENANCE, NAVY

074200 SCOPE

★1. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the Operations and Maintenance, Navy (O&MN) appropriation as follows:

> "For expenses, not otherwise provided for, necessary for the operation and maintenance of the Navy and the Marine Corps, as authorized by law; not to exceed $______ can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Navy, and payments may be made on his certificate of necessity for confidential military purposes."

2. LIMITATIONS. As indicated in par. 072223, annual legislation is required to authorize Department of Defense (DOD) appropriations for the operation and maintenance of any armed force or the activities and agencies of the DOD. Funds may not be appropriated in any fiscal year for civilian personnel unless the end strength for civilian personnel has been authorized by law. In addition, funds may not be appropriated in any fiscal year for training military personnel in specified categories described in par. 072223-1 unless the average student load has been authorized by law.

074201 STRUCTURE AND CONTENT

★1. GENERAL. The appropriation, Operation and Maintenance, Navy (O&MN), is structured by budget activities which align with the Five Year Defense Program (DP). Of the 11 programs identified in the DP, 9 are applicable to this appropriation. FYDP Program V, Guard and Reserve Forces; and FYDP Program VI, Research and Development, are not used in O&MN. The first division of each budget activity, as presented to the Congress in the President's budget, is the Program Package which is generally an aggregation of discrete program elements of the FYDP or portions of program elements. The Program Package is sometimes further divided into its management and operational functions for more detailed justification. The O&MN program is executed under the Operations, Navy account as described in par. 073202.

2. BUDGET ACTIVITY 1, STRATEGIC FORCES. This activity provides for the operating costs of nuclear Fleet Ballistic Missile (FBM) submarines, supporting submarine tenders which provide alongside upkeep, and other supporting craft. Also included is the overhaul, repair, maintenance, and modernization of the FBM ships and on-board strategic weapon system equipment, associated technical services, testing, and specialized crew training.

3. BUDGET ACTIVITY 2, GENERAL PURPOSE FORCES. General Purpose Forces are assigned the mission of conducting strike operations to ensure control of the sea and air. Included are ships, aircraft, and a network of shore installations and commands. This activity provides for ship and aircraft operations, ship overhauls, alterations, installation of equipment, repairs, maintenance, and technical support. Also provided for is the operation and support of shore installations, such as air facilities, ranges, and naval stations.

4. BUDGET ACTIVITY 3, INTELLIGENCE AND COMMUNICATIONS. The Intelligence and Communications activity supports Strategic and General Purpose Forces in cryptology, general defense intelligence, communications, and special activities such as oceanographic and weather programs. This activity provides for secure cryptologic communications, intelligence processing, assessments and analysis, leased communications circuits and other communications services, oceanographic and weather environmental services, operation of the Naval Investigative Service and Naval Observatory, and automatic data processing for the World Wide Military Command and Control System.

5. BUDGET ACTIVITY 4, AIRLIFT AND SEALIFT. This activity provides for airlift, sealift, traffic management, and water terminal activities, both industrially funded and nonindustrially funded, associated with the strategic sealift and prepositioning program. Included are the command, logistics, and support units organic to these organizations.

6. BUDGET ACTIVITY 7, CENTRAL SUPPLY AND MAINTENANCE. This activity provides for all centrally managed supply, maintenance, and technical support for the operating forces and shore establishment. This effort encompasses both the support of current forces and management of the development and acquisition of future naval forces. The programs within this activity are managed by commands assigned technical functional specialties.

7. BUDGET ACTIVITY 8, TRAINING, MEDICAL, AND OTHER GENERAL PERSONNEL ACTIVITIES. This activity provides for the operation of training facilities for the training and education of naval active duty and Reserve personnel; personnel of other services in schools for which Navy is responsible for common type specialist training; foreign and civilian students on a space available basis; health care for active, retired, and dependent personnel; and general personnel support such as recruiting, career counseling, morale, welfare, and recreation, and human resource management.

8. BUDGET ACTIVITY 9, ADMINISTRATION AND ASSOCIATED ACTIVITIES. This activity provides for Department of the Navy administration, service-wide support and manpower management activities, and a number of general and special support programs. Included are the headquarters staffs of the Secretary of the Navy and Chief of Naval Operations, finance activities, the Naval Audit Service, civilian and military centralized personnel services, payments to the General Services Administration and the U.S. Postal Service, and special programs such as White House Helicopter Support.

9. BUDGET ACTIVITY 10, SUPPORT OF OTHER NATIONS. This activity provides for International Military Headquarters and Agencies, Military Assistance Advisory Groups (MAAGS), Missions, and Defense Attache Offices.

074202 BUDGET ACTIVITY SUBHEADS

1. GENERAL. The first subdivision under the budget activity is the subhead which divides each budget activity into definable and related programs or groups of programs by the administering office for ease of administration.

2. OPERATION AND MAINTENANCE, NAVY. This appropriation's four-digit subhead numbering system falls into one of the following categories.

a. Naval Material Command Activities. The structure is as follows:

First digit—Administering office
Second digit—Budget activity/FYDP program
Third and fourth digits—Local use

b. Other Commands and Activities. The structure is as follows:

First two digits—Administering office
Third digit—Budget activity/FYDP program
Fourth digit—Reserved for local use to identify budget subactivities

074203 ADMINISTRATION

1. APPORTIONMENT. The O&MN estimates included in the President's budget are reflected in the Operations account format for presentation to OSD at the apportionment request. Financial authority is provided to the Department of the Navy by OSD for the Operations, Navy account by means of a "Schedule of Cumulative Obligation and Expense Authority."

2. ALLOCATION. The Comptroller passes responsibility for the O&MN appropriation to the Chief of Naval Operations (CNO) on a Program/

Fund Allocation (NAVCOMPT Form 2058). The allocation provides obligational authority by quarter in terms of budget activities and a quarterly distribution of total expense authority for military personnel of the Active Forces applicable to this account. From this authority, the Fiscal Management Division (FMD), as staff for the CNO, issues Operation and Maintenance, Navy operating budgets to claimants.

3. RECORDS, REPORTS, AND REPROGRAMMING. The FMD, as staff for CNO, receives reports monthly from major claimants, maintains the O&MN appropriation and budget activity ledgers, and prepares O&MN appropriation reports. Necessary O&MN reprogramming actions are initiated by FMD, as staff for CNO, and are processed through the Comptroller and OSD to the congressional appropriations committees for approval. Revised Operations, Navy operating budgets, reflecting approved changes to the O&MN appropriation are prepared by FMD and are processed through the Comptroller to OSD for approval.

Section II: OPERATION AND MAINTENANCE, NAVY RESERVE

074220 SCOPE

★1. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the Operation and Maintenance, Navy Reserve (O&MNR) appropriation as follows:

> "For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Navy Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications; $______."

2. LIMITATIONS. As indicated in par. 072223, annual legislation is required to authorize Department of Defense (DOD) appropriations for the operation and maintenance of any armed force or the activities and agencies of the DOD. In addition, funds may not be appropriated in any fiscal year for civilian personnel unless the end strength for civilian personnel has been authorized by law.

074221 STRUCTURE AND CONTENT

1. GENERAL. The appropriation, Operation and Maintenance, Navy Reserve (O&MNR), is structured into three budget activities titled Mission Forces, Depot Maintenance, and Other Support. Each budget activity contains program elements or aggregations within the Five Year Defense Program (FYDP) Program V which are organized by program packages, as needed. The O&MNR appropriation is executed under the Operations, Navy Reserve account as described in par. 073202-5.

2. BUDGET ACTIVITY 1, MISSION FORCES. This activity provides for the operation and maintenance of Naval Reserve Force ships, the operation of Reserve Force aircraft and the operation of other Reserve units including Mobile Inshore Undersea Forces, Reserve Naval Construction Forces, Cargo Handling Battalions, etc. Funding is provided for such functions as aircraft flying hours, underway steaming hours, regular ship overhauls, ship maintenance and modernization, and aviation and ships fuels.

3. BUDGET ACTIVITY 2, DEPOT MAINTENANCE. This activity provides for Naval Reserve Forces aircraft depot level maintenance. Included are airframe reworks, engine overhaul/repair, and modifications to airframes, engines, and avionics.

4. BUDGET ACTIVITY 3, OTHER SUPPORT. This activity is subdivided in two program packages, viz., base operations and management headquarters. Base operations provides funds to

maintain and operate facilities and provide services and material to support Naval Reserve activities and units. Management headquarters provides for the operation of headquarters of the Director of Naval Reserve and the Chief of Naval Reserve.

074222 BUDGET ACTIVITY SUBHEADS

1. GENERAL. The first subdivision under the budget activity is the subhead which divides each budget activity into definable and related programs or groups of programs for ease of administration.

2. OPERATION AND MAINTENANCE, NAVY RESERVE. This appropriation's four-digit subhead numbering system falls into one of the following categories.

a. Naval Systems Commands and Project Managers. The structure is as follows:

First digit—Administering office
Second digit—FYDP program
Third and fourth digits—Local use

b. Other Commands and Activities. The structure is as follows:

First two digits—Administering office
Third digit—Budget activity
Fourth digit—Reserved for local use to identify budget subactivities

074223 ADMINISTRATION

1. APPORTIONMENT. The O&MNR expense estimates included in the President's budget are reflected in the Operations account format for presentation to OSD as the apportionment request. Financial authority is provided to the Department of the Navy by OSD for the Operations, Navy Reserve account by means of a "Schedule of Cumulative Obligation and Expense Authority."

2. ALLOCATION. The Comptroller passes responsibility for the O&MNR appropriation to the Chief of Naval Operations (CNO) on a Program/Fund Allocation (NAVCOMPT Form 2058). The allocation provides obligational authority by quarter in terms of budget activities and a quarterly distribution of total expense authority for military personnel of the Active Forces applicable to this account. From this authority, the Fiscal Management Division (FMD), as staff for the CNO, issues Operation and Maintenance, Navy Reserve operating budgets to claimants.

3. RECORDS, REPORTS, AND REPROGRAMMING. The FMD, as staff for CNO, receives reports monthly from major claimants, maintains the O&MNR appropriation and budget activity ledgers, and prepares O&MNR appropriation reports. Necessary O&MNR reprogramming actions are initiated by FMD, as staff for CNO, and are processed through the Comptroller and OSD to the congressional appropriations committees for approval. Revised Operations, Navy Reserve operating budgets, reflecting approved changes to the O&MNR appropriation are prepared by FMD and are processed through the Comptroller to OSD for approval.

Section III: OPERATION AND MAINTENANCE, MARINE CORPS

★074240 SCOPE

1. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the Operation and Maintenance, Marine Corps (O&MMC) appropriation as follows:

"For expenses, not otherwise provided for, necessary for the operation and maintenance of the Marine Corps, as authorized by law; $_______."

2. LIMITATIONS. As indicated in par. 072223, annual legislation is required to authorize Department of Defense (DOD) appropriations for the operation and maintenance of any armed force or the activities and agencies of the DOD. In addition, funds may not be appropriated in any fiscal year for training military personnel in specified categories described in par. 072223-1 unless the average student load has been authorized by law.

074241 STRUCTURE AND CONTENT

★1. GENERAL. The appropriation, Operation and Maintenance, Marine Corps (O&MMC), is structured by budget activities which align with the Defense Program (DP). Of the 11 programs identified in the DP, 5 are applicable to this appropriation as identified in subpars. 2 through 5; the 6 programs not applicable to O&MMC are: FYDP Program I, Strategic Forces; FYDP Program III, Intelligence and Communications; FYDP IV, Airlift and Sealift; FYDP Program V, Guard and Reserve Forces; FYDP Program VI, Research and Development; and FYDP Program X, Support of Other Nations. The first division of each budget activity, as presented to the Congress in the President's budget, is the program package, which is an aggregation of discrete program elements of the FYDP, or in some cases is a single program element. The program package is sometimes further divided into its management and operational functions for more detailed justification. The O&MMC program is executed under the Operations, Marine Corps account as described in par. 073202 and is limited to the funding of support which meets expense criteria.

2. BUDGET ACTIVITY 2, GENERAL PURPOSE FORCES

a. Program Package—Land Forces. This program package encompasses the ground portion of the Fleet Marine Forces and includes those forces in the three Marine Divisions, three Force Service Support Groups, five Helicopter Groups, and two Light Anti-aircraft Missile Battalions. The operations financed include costs incurred in training and routine operations; the maintenance and repair of organic ground equipment; consumable and other supplies; travel, per diem, and emergency leave; automatic data processing; initial purchase as well as replenishment and replacement of both unit and individual equipment; etc.

b. Program Package—Naval Forces. This program package provides the Marine forces for duty at sea and ashore for the security of naval vessels, naval stations, and naval air stations. It also provides forces from the Marine air-ground team for participation in the Joint Chiefs of Staff (JCS) directed/coordinated exercises. This program package finances Marine Corps peculiar requirements to Marine detachments afloat and Marine barracks located at naval stations and naval air stations and incremental costs related to JCS exercises.

c. Program Package—Tactical Air Forces. This program package contains the tactical air forces that participate as the air component of the Fleet Marine Force in the seizure and defense of advanced naval bases and for the conduct of such land operations as may be essential to the prosecution of a naval campaign. The resources associated with these operations provide for such things as office supplies; consumables; Marine Corps-directed training and travel of military personnel to include emergency leave; maintenance of communication-electronics, engineer, motor transport equipment; and initial purchase as well as replenishment and replacement of Marine Corps peculiar individual equipment.

d. Program Package—Base Operations, Forces. This program package provides for base operating support (less telecommunications) of Marine Corps Base at Camp Lejeune, Camp Pendleton, Marine Corps Air Ground Combat Center and Camp Butler in Okinawa, Japan; and Marine Corps Air Stations/Facilities (less support peculiar to aircraft operations) Cherry Point, Beaufort, New River, El Toro, Tustin, Yuma, Kaneohe, Iwakuni, and Futenma. This program package finances the following functions: administration; retail supply operations; maintenance of installation equipment; other base services; medical operations; maintenance of real property; minor construction; utility operations; other engineering support; other personnel support; morale, welfare, and recreation (MWR); and bachelor housing operations and furnishings.

e. Program Package—Base Telecommunications, Forces. This program package provides for base telecommunications support of Marine Corps bases, Camp Lejeune, Camp Pendleton, Marine Corps Air Ground Combat Center and in Okinawa, Japan; of the Marine Corps air stations/facilities (less telecommunications support peculiar to aircraft operations), Cherry Point, Beaufort, New River, El Toro, Tustin, Yuma, Kaneohe, Iwakuni, and Futenma.

3. BUDGET ACTIVITY 7, CENTRAL SUPPLY AND MAINTENANCE

a. Program Package—Supply Depot Operations. This program package operates the supply distribution system/work force located at the Marine Corps Logistics Bases (MCLB), Albany, GA and Barstow, CA. Costs incurred include civilian personnel salaries, travel and training costs, material for packing, preservation and packaging, collateral material, end-item components, assembly of kits, sets and chests, and the service of depot maintenance activity technicians for handling complex tactical equipment.

b. Program Package—Inventory Control Point. This program package comprises the resources necessary to maintain a central inventory management system/work force that effectively procures and manages those supplies, equipment and other expendable materials required to meet the operational needs of the Marine Corps. These inventory control operations are carried out at MCLB, Albany, GA and finance such costs as civilian personnel salaries, travel and training costs, operating supplies and material, and Marine Corps stocklist publications provided to the operating forces.

c. Program Package—Transportation of Things. This program package funds first and second destination transportation of Marine Corps-owned material and supplies by the most economical mode that will meet in-transit time standards in support of the Department of Defense Uniform Material Movement and Issue Priority System. All resources in this program are utilized to reimburse the following: (1) Military Sealift Command for ocean cargo, (2) in-land transportation by commercial carriers for movement between CONUS installations and ports, (3) Military Airlift Command for movement of priority cargo in support of Fleet Marine Force units, and (4) Military Traffic Management Command for port handling of ocean cargo.

d. Program Package—Centrally Managed Programs. This program package comprises those support functions which are best managed and funded on a centralized basis and consist of either mandatory/unavoidable costs or essential technical support to the Fleet Marine Forces. This support is in such areas as contract technical services, task order services for product improvement, updating of technical publications, ammunition and missile rework/renovation, printing and publication, official mail, and reimbursements to the Department of Labor for employee compensation costs.

e. Program Package—Commissary Stores Operations. The purpose of the commissary stores is to provide resale items for sale to authorized commissary patrons at the lowest practicable price in a facility designed and operated by the standards used in commercial food stores. The Marine Corps operates 1 overseas store and 14 U.S. stores located at various Marine Corps bases and stations. All civilian personnel costs related to the operation and management of these stores are financed through this program package.

f. Program Package—Equipment Maintenance. This program package funds the depot maintenance (major repair/rebuild) of Marine Corps ground equipment (less Marine Corps Reserve equipment). A major portion of this repair/rebuild is accomplished by the industrially funded depot maintenance activities at MCLB Albany, GA and Barstow, CA.

g. Program Package—Base Operations, Supply and Maintenance Activities. This program package provides for base operating support (less telecommunications) of Marine Corps Logistics Bases Albany, GA and Barstow, CA. This program package finances the same functions as listed under Base Operations, Forces.

h. Program Package—Base Telecommunications, Supply and Maintenance Activities. This program package provides for base telecommunications support of the Marine Corps Logistics Bases, Albany, GA and Barstow, CA.

4. BUDGET ACTIVITY 8; TRAINING, MEDICAL, AND OTHER GENERAL PERSONNEL ACTIVITIES

a. Program Package—Recruit Training. This program funds the training of new Marine enlistees that is conducted at the Marine Corps Recruit Depots, Parris Island, SC and San Diego, CA. The syllabus includes formal academic presentations, practical application and performance evaluation of required field and garrison skills. Costs financed by this program package include recruit accessions and processing, uniform clothing alterations, marksmanship training and weapons qualifications, etc.

b. Program Package—Specialized Skill Training. This program package provides for the post-recruit training of all Marines in a variety of skills and specialties. Officers, after completing The Basic School at the Marine Corps Development and Education Command (MCDEC), are then assigned to a military occupational specialty qualifying course. Enlisted Marines undergo special skill training at Marine Corps installations or at schools of other Services. Specialized skill training is conducted at eight Marine Corps activities which offer numerous courses. This program package includes funds for expense-type and training support equipment, audiovisual aids, computer assisted training, and support of the marksmanship and Marine Corps leadership programs.

c. Program Package—Professional Development. MCDEC is the field activity with primary responsibility for professional development within the Marine Corps. Schools located at this installation are the Command and Staff College, Amphibious Warfare School, Instructional Management School, and Staff Noncommissioned Officer Academy. This program package also provides support to Marines undergoing professional development education at schools of other Services and at civilian institutions. Other areas of support include program materials and supplies, professional books and literature, computer assisted instruction, purchase and maintenance of minor property, etc.

d. Program Package—Officer Acquisition. This program package includes five programs that input officer candidates for screening at the Officer Candidate School, Marine Corps Development and Education Command, Quantico, VA. These programs are the Platoon Leaders Class, Officer Candidate Course, Naval Reserve Officer Training Corps (Marine Option), Marine Enlisted Commissioning Education Program and the Enlisted Commissioning Program. Approximately 3,900 officer candidates are screened annually under the program. Costs incurred in this screening include maintenance and replacement of minor classroom equipment, training aids, printing and reproduction of individual training material and schedules, candidate processing, etc.

e. Program Package—Flight Training. Marine Corps personnel assigned to duty under instruction prior to qualification as naval aviators or naval flight officers are trained at either U.S. Naval Air Station Pensacola, FL or Corpus Christi, TX. The majority of these costs are incurred by the U.S. Navy. The Marine Corps provides limited operations and maintenance support for its personnel at these institutions. This support includes routine administrative services, maintenance of office machines and other minor property, and limited travel and per diem.

f. Program Package—Training Support. This program package includes operation of the Marine Corps Institute located at the Marine Barracks, 8th and I Streets, S.E., Washington, DC and the centrally managed support of formal schools training which provides for the post recruit training of all Marines in a variety of skills and specialties. Training for Marine students takes place both at Marine Corps activities and other military service schools. The Extension School, located at MCDEC, offers nonresident professional development courses for Marines worldwide. The courses include Command & Staff, Amphibious Warfare, Communications Officer, The Basic Course and Staff Noncommissioned Officer leadership which are designed to correlate to the program of instruction offered by their resident counterpart. Additionally, training is provided at civilian business and educational institutions. Costs associated with this program package include travel and per diem for students attending school away from their permanent stations or en route to permanent duty stations, training, support equipment, audiovisual aides, computer assisted training programs, and material and services related to the Marine Corps Institute.

g. Program Package—Recruiting. This program package includes those personnel and assets necessary to procure and process qualified individuals in sufficient numbers to meet established personnel strength levels, officer and enlisted, for the Marine Corps and Marine Corps Reserve. The operations financed under this program package include expenses incurred in developing proficient military recruiting personnel, civilian personnel, salaries, purchase and maintenance of minor property, personnel support and administrative supplies, communications, travel, per diem, leasing of recruiting vehicles, recruiter out-of-pocket expense, and applicant processing.

h. Program Package—Advertising. Marine Corps recruitment advertising includes all officer, enlisted, Marine-option Naval Reserve Officer Training Corps (NROTC), and retention publicity/advertising expenses. This program package funds for magazine, direct mail, and broadcast advertising as well as fulfillment of advertising responses, printed literature, and incentive/promotional items.

i. Program Package—Off-Duty Education. This program package encompasses the Basic Skills Education Program (BSEP) which is designated to remedy deficiencies in reading, mathematics, and the language arts. The high school completion program, vocational training, and college level undergraduate and post-graduate courses are included in the Voluntary Off-Duty Education program. In accordance with the general provisions of the DOD Appropriation Act, the Marine Corps pays up to 75 percent of all tuition and fees of its personnel enrolled in off-duty courses of study.

j. Program Package—Marine Corps Junior Reserve Officer Training Corps. This program package provides for the operation and support of the Marine Corps Junior Reserve Officer Training Corps units throughout the country. Expenses include the pro rata share of the pay costs for military instructors, annual orientation visits by these units to a Marine Corps installation and purchase of administrative and training supplies.

k. Program Package—Other Personnel Support. This program package provides operation and maintenance support for reimbursement to the Army for Marine prisoners confined at the Army Disciplinary Command, Fort Leavenworth, KS and for the Marine Band located at the Marine Barracks, 8th & I Streets, S.E., Washington, DC.

l. Program Package—Base Operations, Training, Medical and Other General Personnel Activities. This program package provides for base operating support (less telecommunications) of Marine Corps Recruit Depots (MCRD), Parris Island, SC and San Diego, CA; MCDEC Quantico, VA; the Marine Corps Air Facility, Quantico, VA; and the Marine Barracks, 8th & I Streets, S.E., Washington, DC. This program package finances the same functions as listed under Base Operations, Forces.

m. Program Package—Base Telecommunications, Training, Medical and Other General Personnel Activities. This program package provides for base telecommunications support of the MCRD, Parris Island, SC, and San Diego, CA; MCDEC, Quantico, VA; the Marine Corps Air Facility, Quantico, VA; and the Marine Barracks, 8th & I Streets, S.E., Washington, DC.

5. BUDGET ACTIVITY 9, ADMINISTRATION AND ASSOCIATED ACTIVITIES

a. Program Package—Department Administration. The Commandant of the Marine Corps is directly responsible to the Secretary of the Navy for the administration, discipline, internal organization, training requirements, efficiency, and readiness of the Marine Corps; for the operation of its material support system; and for the total performance of the Marine Corps. The departmental organization located at Headquarters, U.S. Marine Corps, Washington, DC is primarily concerned with the development of long range plans, policies, programs and requirements in all specific Marine Corps matters for which the Commandant is responsible to the Secretary of the Navy.

b. Program Package—Nondepartmental (Staff Management Activity). Headquarters, U.S. Marine Corps nondepartmental assist as the Commandant of the Marine Corps in all specific Marine Corps matters for which the Commandant is directly responsible to the Secretary of the Navy. Specifically, the Staff Management Activity is responsible to the Commandant for ensuring that established policies and programs are executed efficiently and effectively on a Marine Corps-wide basis. This program package directs, coordinates, and supervises Marine Corps activities in the execution of policies and programs dealing with manpower, intelligence, logistics, aviation, fiscal, telecommunications, data automation, reserve affairs, and operational readiness matters.

c. Program Package—Other Administration. The primary activities included in this program package encompass the Marine Corps Personnel and Support Activity (MCPASA) and the Marine Corps Finance Center (MCFC). Functions performed by MCPASA primarily support the entire Marine Corps, such as Marine Corps-wide personnel detailing, assignment, promotion, separation and retirement, performance reporting, recruiting, education and training, and record maintenance and services. The MCFC provides sustained disbursing services for all active duty, Reserve, retired and survivor annuitants and provides the requisite automatic data processing functions associated with disbursing. Other activities included are the Marine Corps History and Museums and Public Affairs programs, the Marine Security Guard Battalion (State Department), and military personnel assigned to Helicopter Squadron One located at MCDEC for operation and maintenance of helicopters for White House support. This program package further provides for personnel type services on a Marine Corps-wide basis, and miscellaneous support not provided elsewhere for such items as medals, ribbons and awards, international sports competition, library books, initial issue athletic/recreational equipment, professional entertainment program and miscellaneous additional duty.

d. Program Package—Base Operations, Administration. This program package provides for base operating support (less telecommunications) of the Headquarters Battalion, Headquarters, U.S. Marine Corps, Henderson Hall, Arlington, VA. This program package finances the same functions as listed under Base Operations, Forces.

e. Program Package—Base Telecommunications, Administration. This program package provides for base telecommunications support of the Headquarters Battalion, Headquarters, U.S. Marine Corps, Henderson Hall, Arlington, VA.

074242 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead which divides each budget activity into definable and related programs or groups of programs for ease of administration. The Operation and Maintenance, Marine Corps appropriation four-digit subhead numbering system identifies the following data elements:

First two digits — Administering office
Third digit — Budget activity
Fourth digit — Will always be zero (0).

074243 ADMINISTRATION

1. APPORTIONMENT. The O&MMC estimates included in the President's budget are reflected in the Operations account format for presentation to OSD as the apportionment request. Financial authority is provided to the Department of the Navy by OSD for the Operations, Marine Corps account by means of a "Schedule of Cumulative Obligation and Expense Authority."

2. ALLOCATION. The Comptroller passes responsibility for the O&MMC appropriation to the Commandant of the Marine Corps (CMC) on a Program/Fund Allocation (NAVCOMPT Form 2058). The allocation provides obligational authority by quarter in terms of budget activities and a quarterly distribution of total expense authority for military personnel of the Active Forces applicable

to this account. From this authority, CMC issues Operations, Marine Corps operating budgets.

3. RECORDS, REPORTS, AND REPROGRAMMING. Reports of obligations and expenses are made under the budget activity classification as contained in the President's budget. The controls established by major program in operating budgets for operations are controlling in the execution of approved financial plans and for compliance with congressional reprogramming understanding. All reports are consolidated and controls established by Headquarters, U.S. Marine Corps. Budgets are prepared by Headquarters, U.S. Marine Corps for submission to the Comptroller, OSD, and the congressional committee. No major claimants are assigned under this appropriation.

Section IV: OPERATION AND MAINTENANCE, MARINE CORPS RESERVE

★074260 SCOPE

1. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the Operation and Maintenance, Marine Corps Reserve (O&MMCR) appropriation as follows:

> "For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Marine Corps Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications; $______."

2. LIMITATIONS. As indicated in par. 072223, annual legislation is required to authorize Department of Defense (DOD) appropriations for the operation and maintenance of any armed force or the activities and agencies of DOD.

074261 STRUCTURE AND CONTENT

1. GENERAL. The appropriation, Operation and Maintenance, Marine Corps Reserve (O&MMCR) is structured into three budget activities titled Mission Forces, Depot Maintenance, and Other Support. Each budget activity contains program elements or aggregations within the Five Year Defense Program (FYDP) Program V which are organized by program packages. The O&MMCR appropriation is executed under the Operations, Marine Corps Reserve account as described in par. 073202-5.

2. BUDGET ACTIVITY 1, MISSION FORCES. This program package provides funds for training and material essential to the Marine Corps Reserve in the accomplishment of its mission as a Force-in-Readiness. The Marine Corps Selected Reserve is the Reserve component of the Fleet Marine Force and permits assignment of trained units and qualified personnel to active duty in time of war or national emergency and at such other times as required for national security. This program package covers such costs as travel associated with inspections, planning of exercises and annual training duty support, movement of organizational

equipment for training, hire of commercial transportation for movement to training exercises, printing of training directives and training aids, and operating cost of equipment used in training. Also included are replacement of minor items authorized in Tables of Equipment and unit allowances, local repair of equipment, procurement of consumable supplies used in maintenance, and second destination transportation costs for new end items of equipment received by Reserve units. Navy appropriations are responsible for the provision of aircraft and associated support equipment as well as funding of associated operation and maintenance of Navy furnished equipment.

3. BUDGET ACTIVITY 2, DEPOT MAINTENANCE. This program package provides for the depot level maintenance of equipment used by the Marine Corps Reserve except for aircraft and related equipment rework, which are provided for by the Operation and Maintenance, Navy Reserve appropriation.

4. BUDGET ACTIVITY 3, OTHER SUPPORT

a. Program Package—Base Operations. This program package provides for base operating type support for Marine Corps Reserve training facilities, the 4th Marine Division, and the 4th Marine Aircraft Wing Headquarters. Base operations type costs include, in the administrative services category, costs of financial and military/civilian manpower management, automatic data processing and related systems support, printing and reproduction services, uniform alterations, travel, operation and maintenance of assigned military vehicles, purchase of minor items of office equipment, and other local administrative support; and, in the specific services category, costs for organic supply operations and transportation operation and maintenance for training facilities. In the facility services category, it provides for costs of maintenance and repair, minor construction, purchased utilities, and other engineering support necessary to operate and maintain Marine Corps Reserve Training Centers, Marine Corps spaces in jointly used facilities, and the 4th Marine Division and 4th Marine Aircraft Wing Headquarters.

b. Program Package—Other Activities. The operations financed under this program package include expenses incurred in the training of recruiting personnel, the purchase of administrative supplies, travel/per diem of recruiting personnel, leasing of recruiting vehicles, applicant processing and advertising. Also included in this program package is reimbursement to the U.S. Postal Service for official mail costs and support of Selected Reserve Headquarters, Marine Corps staff personnel. This program package also funds for the operation of the Marine Corps Reserve Support Center, Kansas City, MO. This activity supports administration of the Selected Reserve, manages the Individual Ready Reserve, maintains records for the Selected, Standby and Fleet Marine Corps Reserve and supports mobilization of individual reservists.

074262 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead which divides each budget activity into definable and related programs or groups of programs for ease of administration. The Operation and Maintenance, Marine Corps Reserve appropriation 4-digit subhead numbering system identifies the following data elements:

First two digits - Administering office
Third digit - Budget activity
Fourth digit - Will always be zero (0)

074263 ADMINISTRATION

1. APPORTIONMENT. The O&MMCR estimates included in the President's budget are reflected in the Operations, Marine Corps Reserve account format for presentation to OSD as the apportionment request. Financial authority is provided to the Department of the Navy by OSD for the Operations Marine Corps Reserve account by means of a "Schedule of Cumulative Obligation and Expense Authority."

2. ALLOCATION. The Comptroller passes responsibility for the O&MMCR appropriation to the Commandant of the Marine Corps (CMC) on a

Program/Fund Allocation (NAVCOMPT Form 2058). The Allocation provides obligational authority by quarter in terms of budget activities and a quarterly distribution of total expense authority for military personnel of the Active Forces applicable to this account. From this authority, CMC issues Operations, Marine Corps Reserve operating budgets.

3. RECORDS, REPORTS, AND REPROGRAMMING. All reports are consolidated and controls established by Headquarters, U.S. Marine Corps. Reports of obligations and expenses are made under the budget activity classifications as contained in the President's budget. The controls established by major program in operating budgets are controlling in the execution of approved financial plans and for compliance with congressional reprogramming requirements. No major claimants are assigned under this appropriation.

PART D: PROCUREMENT APPROPRIATIONS

Section I: AIRCRAFT PROCUREMENT, NAVY

074300 SCOPE

1. GENERAL. The appropriation Aircraft Procurement, Navy (APN), finances the procurement of Navy and Marine Corps aircraft and provides for related supporting programs. Supporting programs include equipment for modification of in-service aircraft; aircraft spare parts; ground support and training equipment; and industrial facilities and tools. The broad scope of the appropriation and the wide variety of procurement authorized are reflected in the appropriation language.

★2. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for APN as follows:

"For construction, procurement, production, modification, and modernization of aircraft, equipment, including ordnance, spare parts, and accessories therefor; specialized equipment; expansion of public and private plants, including the land necessary therefor, and such lands, and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; $_____, . . . ; to remain available for obligation until September 30, 19____. Provided that . . ."

3. LIMITATIONS

a. Authorizing Legislation. As discussed in par. 072223, authorizing legislation is required for Department of Defense appropriations for aircraft.

b. Time Limitations

(1) Administrative. Obligation targets are established for each program year starting 1 October of each fiscal year, at the budget activity level. This limitation on the period of fund availability for obligation purposes is designed to accelerate obligation performance and reduce excessive carry-over of unobligated funds in accordance with the expressed desires of the Congress.

(2) Congressional. The budget request submitted to the Congress for each fiscal year under the APN appropriation is for a multiple-year appropriation to remain available for obligation for 3 fiscal years. Each fiscal year appropriation enacted is separate and discrete, is available for 36 months for obligation purposes, and upon expiration is available for obligation adjustments for 24 months. At the end of the second full year following expiration, the fiscal year appropriation lapses and any residual balances of unliquidated obligations are merged with the appropriation successor ("M") account. The unobligated balances of these lapsed appropriations remain available for restoration as required to cover bona fide obligation adjustments.

074301 STRUCTURE AND CONTENT

1. GENERAL. The Aircraft Procurement, Navy appropriation is divided into seven budget activities. Each budget activity is further divided into procurement line items (Exhibit P-1 line item) for which funds have been budgeted.

2. BUDGET ACTIVITY 1, COMBAT AIRCRAFT. Budget Activity 1 provides for the procurement of all aircraft used in combat missions. Combat aircraft, including both fixed-wing and rotary-wing configurations, are generally grouped into the categories of attack, fighter, assault, and antisubmarine warfare aircraft. In addition to the foregoing categories, aircraft employed in specialized missions (such as electronic warfare, reconnaissance, and observation) which directly support combat operations also are procured under this activity.

3. BUDGET ACTIVITY 2, AIRLIFT AIRCRAFT. Budget Activity 2 provides for the procurement of aircraft needed for personnel and cargo airlift.

4. BUDGET ACTIVITY 3, TRAINER AIRCRAFT. Budget Activity 3 provides for aircraft specially designed for different types of aircrew training. Aircraft procured under Budget Activity 3 are used to train students in basic and advanced flying techniques, navigation, instrument flying, and numerous other skills which they must acquire before making the transition to high performance fleet aircraft.

5. BUDGET ACTIVITY 4, OTHER AIRCRAFT. Special purpose aircraft other than those associated with combat, airlift, and training missions are procured under Budget Activity 4.

6. BUDGET ACTIVITY 5, MODIFICATION OF AIRCRAFT. Budget Activity 5 funds the procurement of modification kits for incorporation of improvements in in-service aircraft to correct deficiencies and improve operational capabilities.

7. BUDGET ACTIVITY 6, AIRCRAFT SPARES AND REPAIR PARTS. Budget Activity 6 provides for the procurement of spare equipment and repair parts to support aircraft procurement and operating programs.

8. BUDGET ACTIVITY 7, AIRCRAFT SUPPORT EQUIPMENT AND FACILITIES

a. General. Budget Activity 7 finances the procurement of aircraft support equipment, production facilities, and services described in detail in subpars. b through e.

b. Common Ground Equipment. Common ground support equipment (GSE) includes that which meets investment criteria and is common to multiple aircraft models. Investment GSE which is peculiar to a single aircraft model is budgeted and funded as part of the aircraft cost in activities 1 through 4. Included in common ground equipment are aircraft operational training devices, simulation devices, and training aids; handling, test, and servicing equipment such as carrier tractors, shore-based aircraft-towing equipment, propulsion support equipment, and electronic and fluid servicing equipment.

c. Aircraft Industrial Facilities. The aircraft industrial facilities program provides funds for the modernization, maintenance, and pollution control projects at Government-owned production facilities.

d. War Consumables. The war consumables program provides funds for procurement of auxiliary fuel tanks, pylons, and ejector racks. These items are of a consumable nature and requirements are related primarily to the number of sorties flown by combat or training aircraft.

e. Other Production Charges. Other production charges provides funds for miscellaneous production support and testing services, various equipment for United States Coast Guard aircraft, aircraft cameras, special support equipment for aircraft procured with prior year funds.

074302 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead which divides each budget activity into definable and related programs or groups of programs for ease of administration. Subheads are assigned at the P-1 line-item level or lower if more than one manager or command is involved in the execution of a P-1 line item. The Aircraft Procurement, Navy appropriation 4-digit subhead numbering system identifies the following data elements:

First digit— Designated manager or command responsible for all or a part of the P-1 line item
Second digit—Budget activity
Third and fourth digits—P-1 line item.

074303 ADMINISTRATION

1. APPORTIONMENT. The appropriation, Aircraft Procurement, Navy (APN), is subject to the annual apportionment process described in

par. 073100. Based on the estimates of the project/program managers, the Naval Air Systems Command prepares the annual apportionment request which is submitted for review to the Chief of Naval Operations (CNO), the Comptroller, and the Office of the Secretary of Defense (OSD) for transmittal to the Office of Management and Budget (OMB). Based on OSD/OMB analysis and prospective congressional appropriation action, funds are either released for execution or placed in a deferred status.

2. ALLOCATION. The Comptroller allocates funds to the CNO, designated as the responsible office for APN. The allocation is passed in its entirety from CNO to the Naval Air Systems Command, which is designated as the principal administering office. Allocations are subdivided on a procurement line-item basis (Exhibit P-1). Within the Naval Air Systems Command, funds are provided to project/program managers. Internal control of reprogramming at the command and project/program manager levels is accomplished by requiring the review and approval of all allocation changes by the Naval Air Systems Command Comptroller.

3. EXECUTION

a. Program-Year Concept. The APN appropriation is controlled at command level on a program-year and weapons system line-item basis. A program year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program year under which it was budgeted. Subsequently, within scope of program, cost changes are funded from the program-year account under which the basic transaction occurred. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible.

b. Analysis of Unliquidated Obligations. Each funds administering officer will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are unessential. At the beginning of the fourth year of each subhead, and continuing until the balances are transferred to the successor accounts, the office administering the subhead will commence an intensive analysis of the outstanding balances contained therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, or allotment in existence on 30 September of the year in which the account expires for obligation.

Section II: SHIPBUILDING AND CONVERSION, NAVY

074320 SCOPE

1. GENERAL. The appropriation Shipbuilding and Conversion, Navy (SCN) finances the construction of new ships and conversion of existing ships, including all hull, mechanical and electrical equipment, electronics, guns, torpedo and missile launching systems, and communications systems. The broad scope of the appropriation and the wide variety of procurement authorized are reflected in the appropriate language.

★2. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the appropriation Shipbuilding and Conversion, Navy (SCN), as follows:

"For expenses necessary for the construction, acquisition, or conversion of vessels as authorized by law, including armor and armament thereof, plant equipment, appliances, and machine tools, and installation thereof in public and private plants; reserve plant and Government and contractor-owned equipment layaway; procurement of critical, long leadtime components and designs for vessels to be constructed or converted in the future; and expansion of public and private plants, including land necessary therefor, and such lands, and interests therein, may be acquired and construction prosecuted thereon prior to approval of title, as follows: . . . to remain available for obligation until September 30, 19____: Provided, that additional obligations may be incurred after

September 30, 19____, for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction; and each Shipbuilding and Conversion, Navy, appropriation that is currently available for such obligations may also hereafter be so obligated after the date of its expiration: Provided further, That none of the funds herein provided for the construction or conversion of any naval vessel to be constructed in shipyards in the United States shall be expended in foreign shipyards for the construction of major components of the hull or superstructure of such vessel: Provided further, That none of the funds herein provided shall be used for the construction of any naval vessel in foreign shipyards."

3. LIMITATIONS

a. Authorizing Legislation. The program to be financed by the SCN appropriation must first be approved through authorizing legislation (see par. 072223).

b. Time Limitations

(1) Administrative. Within the legal availability of the appropriation, as indicated in subpar. (2), administrative limitations have been established.

★(a) Basic Ship Construction/Conversion Project. For a basic ship construction or conversion project, excluding post delivery and initial outfitting projects, the obligation and work limiting date (OWLD) is established as 11 months following completion and fitting out (CFO) of the ship. For purposes of completing required SCN class design agent (CDA) efforts under contract, performance for such required efforts may be completed after OWLD. However, obligations for such efforts must occur prior to the OWLD for each ship.

(b) Post Delivery Project. Post delivery projects are programmed and budgeted in the first fiscal year in which funds are required and the funds appropriated are available for obligation for 24 months. However, obligations may not occur after the OWLD which is established as 11 months following CFO. Performance by a contractor of contractor responsible items is limited only by the terms of the contract.

(c) Initial Outfitting Project. Initial outfitting projects are programmed and budgeted as annual requirements, depending on leadtimes, over the ship's construction and post delivery periods. The funds appropriated for initial outfitting projects must be obligated within 24 months. However, obligations may not occur after the OWLD which is established as 11 months following CFO.

(d) Extensions. The 24-month limitation date for post delivery and outfitting projects may be extended if authorized by the Chief of Naval Operations. The overall obligation and work limiting date of 11 months following CFO can be extended only if the circumstances warrant and approval is granted by the Comptroller of the Navy. Requests for extensions are submitted to the Comptroller of the Navy via the chain of command.

(2) Congressional

(a) Five-Year Limitation. The budget request submitted to the Congress for each fiscal year under the SCN appropriation is for a multiple-year appropriation to remain available for obligation for 5 fiscal years except as noted in subpar. (b). Each fiscal year appropriation enacted is separate and discrete, is available for 60 months for obligation purposes, except as authorized in subpar. (b), and upon expiration is available for obligation adjustments for 24 months. At the end of the second full year following expiration, the fiscal year appropriation lapses and any residual balances of unliquidated obligations are merged with the appropriations successor (M) account. The unobligated balances of these lapsed appropriations remain available for restoration as required to cover bona fide obligation adjustments as well as for ship completion as authorized in subpar. (b).

(b) Additional Availability. Additional obligations may be incurred after the 5-year limitation for those work elements performed in the final stages of ship construction. The extended availability is authorized to cover those items which are essential to delivering a complete ship and encompasses items such as engineering services, tests, evaluations, trials, and deferred work. These obligations can be related to within-scope obligations or can be new scope obligations if used for the purpose of completing the ship as originally intended. Ship characteristics changes approved through the Ship Cost

Adjustment (SCA) processes, prior to the 5-year limitation and within the ship budget, can be contracted within this period. Characteristics changes approved after the 5-year limitation can only be funded in a cost growth line item contained in an active SCN appropriation. Advance procurement line items, service and landing craft, post delivery and initial outfitting programs, cost growth, escalation on prior year programs and similar line items will not be extended beyond the 5-year limitation for new scope obligations. This extended availability applies to all SCN appropriations currently available for obligation commencing with the SCN 1980/1984 appropriation.

074321 STRUCTURE AND CONTENT

1. GENERAL. The Shipbuilding and Conversion, Navy appropriation is divided into five budget activities each of which relates to a general class of ships. Each budget activity is further divided into procurement line items (Exhibit P-1 line item) for which funds have been budgeted.

2. BUDGET ACTIVITY 1, FLEET BALLISTIC MISSILE SHIPS. This activity provides for ballistic missile submarines and ships required for their direct support, such as tenders and cargo ships.

3. BUDGET ACTIVITY 2, OTHER WARSHIPS. This activity provides for aircraft carriers, cruisers, frigates, destroyers, attack submarines, and other warships as assigned by the Chief of Naval Operations (CNO).

4. BUDGET ACTIVITY 3, AMPHIBIOUS SHIPS. This activity provides for amphibious assault ships, dock landing ships, tank landing ships, amphibious command ships, amphibious cargo ships, amphibious transport dock ships, and other ships as may be assigned by CNO.

5. BUDGET ACTIVITY 4, MINE WARFARE AND PATROL SHIPS. This activity provides for minesweepers, gunboats, destroyer escorts, patrol craft, and other ships as may be designated by CNO.

★6. BUDGET ACTIVITY 5, AUXILIARIES, CRAFT, AND PRIOR YEAR PROGRAM COSTS. This activity provides for ammunition ships, store ships, surveying ships, replenishment oilers, tugs, tenders, landing craft, barges, and other ships and craft as may be assigned by CNO. Funds also are included for outfitting, post delivery, and prior year program cost growth and escalation for all ships regardless of the budget activity in which the basic ship construction is budgeted. Separate subheads are established in this budget activity for each procurement (P-1 exhibit) line item and separate budget projects are also established under these subheads.

074322 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead which divides each budget activity into definable and related programs or groups of programs for ease of administration. Subheads are assigned at the P-1 line-item level or lower if more than one manager or command is involved in the execution of a P-1 line item. The Shipbulding and Conversion, Navy appropriation 4-digit subhead numbering system identifies the following data elements:

First digit—CNO/CNM designated manager or command responsible for all or part of the P-1 line item
Second digit—Budget activity
Third and fourth digits—P-1 line item.

★074323 ADMINISTRATION

1. APPORTIONMENT. The appropriation Shipbuilding and Conversion, Navy (SCN), is subject to the annual apportionment process described in par. 073100. Based on the estimates of the project and acquisition managers, the Naval Sea Systems Command (NAVSEASYSCOM) prepares the annual apportionment request which is submitted for review to the Chief of Naval Operations (CNO), the Comptroller, and the Office of the Secretary of Defense (OSD) for transmittal to the Office of Management and Budget (OMB). Based on OSD/OMB analysis and prospective congressional appropriation action, funds are either released for execution or placed in a deferred status.

2. ALLOCATION. The allocation made by the Comptroller to CNO, designated as the responsible office for SCN, is passed to NAVSEASYSCOM

and SSPO, which are designated as administering offices. Funds are allocated by fiscal year, budget activity, and P-1 line item. NAVSEASYSCOM provides funds to the project and acquisition managers by various methods. Internal control of reprogramming at the command and project/acquisition manager levels is accomplished by requiring the review and approval of all allocation changes by the NAVSEASYSCOM comptroller.

★3. EXECUTION

a. Ship Cost Adjustment Review. In order to comply with the requirement for "full funding" of procurement programs, all estimates for ships in currently active programs are reviewed two times per year to determine the adjustments which may be necessary to bring the programs into balance. The ship project managers develop proposed ship cost adjustments (SCAs) based on information obtained from participating managers, equipment/service managers, and performing activities. These proposals are reviewed in NAVSEA where a summary of the results of the review is prepared and forwarded to CNO for decision on problems and approval of recommendations. NAVSEA, based on CNO decisions, prepares a detailed report on ship cost estimates which is forwarded to the Comptroller and distributed to all interested parties. The results of the SCA review may disclose a need for reprogramming action to bring estimated ship costs and appropriated funds into balance.

b. Analysis of Unliquidated and Unobligated Balances. Each funds administering office will conduct a comprehensive and continuing analysis of program fund balances. The analysis will be performed by program year for each ship and continue until the program is complete. The review will commence in the fiscal year in which "fitting out" of the ship is completed but in no case will the review begin later than 1 year prior to the expiration of the appropriation. The scope of the review will include outstanding commitments, unliquidated obligations, and Program Fund Authorizations applicable to the ship involved.

Section III: WEAPONS PROCUREMENT, NAVY

074340 SCOPE

1. GENERAL. The Weapons Procurement, Navy (WPN) appropriation finances the procurement of missiles, torpedoes, guns, and supporting equipment for naval forces and Marine air forces. Supporting equipment includes: equipment for modification of in-service missiles, torpedoes, guns, and gun mounts; targets used in weapon training exercises and weapon evaluation; hardware for Navy Navigation and Communications Satellite and other space programs; spare parts; ground support and training equipment; and industrial facilities and tools required for the production and maintenance of missiles.

2. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the WPN appropriation as follows:

"For construction, procurement, production, modification and modernization of missiles, torpedoes, other weapons, and related support equipment including spare parts, and accessories therefor; expansion of public and private plants, including the land necessary therefor, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway, as follows:...in all: $_____; to remain available for obligation until September 30, 19____: Provided, . . ."

3. LIMITATIONS

a. Authorizing Legislation. As discussed in par. 072223, authorizing legislation is required for Department of Defense appropriations for missiles, other weapons, torpedoes, and related torpedo support equipment.

b. Time Limitations

(1) Administrative. Obligation targets are established for each program year starting with 1 October of each fiscal year, at the budget activity level. This limitation on the period of fund availability for obligation purposes is designed to accelerate obligation performance and reduce excessive carryover of unobligated funds in accordance with the expressed desires of Congress.

(2) Congressional. The budget request submitted to the Congress for each fiscal year under the WPN appropriation is for a multiple-year appropriation to remain available for obligation for 3 fiscal years. Each fiscal year appropriation enacted is separate and discrete, is available for 36 months for obligation purposes, and upon expiration is available for obligation adjustments for 24 months. At the end of the second full year following expiration, the fiscal year appropriation lapses and any residual balances of unliquidated obligations are merged with the appropriation successor ("M") account. The unobligated balances of these lapsed appropriations remain available for restoration as required to cover bona fide obligation adjustments.

074341 STRUCTURE AND CONTENT

1. GENERAL. The Weapons Procurement, Navy appropriation is divided into five budget activities. Each budget activity is further divided into procurement line items (Exhibit P-1 line item) for which funds have been budgeted.

2. BUDGET ACTIVITY 1, BALLISTIC MISSILES. Budget Activity 1 funds procurement of fleet ballistic missiles, ancillary checkout and test equipment, and missile modifications, support equipment and industrial facilities.

3. BUDGET ACTIVITY 2, OTHER MISSILES. Budget Activity 2 funds procurement and modification of guided missiles and aerial targets required for Navy and Marine Corps aircraft and Navy ships, as well as procurement and support of naval space satellites and weapons industrial facilities.

4. BUDGET ACTIVITY 3, TORPEDOES AND RELATED EQUIPMENT. Budget Activity 3 funds procurement of torpedoes, mines, underwater targets and related equipment; modification of torpedoes and related equipment; and torpedo support equipment.

5. BUDGET ACTIVITY 4, OTHER WEAPONS. Budget Activity 4 provides for procurement of guns and gun mounts associated modifications.

6. BUDGET ACTIVITY 5, SPARES AND REPAIR PARTS. Budget Activity 5 funds procurement of spares and repair parts for Navy weapons systems.

074342 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead which divides each budget activity into definable and related programs or groups of programs for ease of administration. Subheads are assigned at the P-1 line-item level or lower if more than one manager or command is involved in the execution of a P-1 line item. The Weapons Procurement, Navy appropriation four-digit subhead numbering system identifies the following data elements:

First digit—Designated manager or command responsible for all or a part of the P-1 line item
Second digit—Budget activity
Third and fourth digits—P-1 line item.

074343 ADMINISTRATION

1. APPORTIONMENT. The appropriation Weapons Procurement, Navy (WPN), is subject to the annual apportionment process described in par. 073100. Based on the estimates of the project/program managers, the applicable naval systems commands prepare annual apportionment requests which are coordinated by the Naval Sea Systems Command and submitted for review to the Chief of Naval Operations (CNO), the Comptroller, and the Office of the Secretary of Defense (OSD) for transmittal to the Office of Management and Budget (OMB). Based on OSD/OMB analysis and prospective congressional appropriation action, funds are either released for execution or placed in a deferred status.

2. ALLOCATION. The Comptroller allocates funds to CNO, designated as the responsible office for WPN. The allocation is passed from CNO to the appropriate systems commands/project managers, designated as administering offices. Allocations are

subdivided on a procurement line-item basis (Exhibit P-1). Within these commands, funds are provided to project/program managers. Internal control of reprogramming at the command and project/program manager levels is accomplished by requiring the review and approval of all allocation changes by the cognizant comptroller.

3. EXECUTION

a. Program-Year Concept. The WPN appropriation is controlled at command level on a program-year and weapons system line-item basis. A program year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program year under which it was budgeted. Subsequently, within scope of program, cost changes are funded from the program year account under which the basic transaction occurred. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible.

b. Analysis of Unliquidated Obligations. Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are unessential. At the beginning of the fourth year of each subhead, and continuing until the balances are transferred to the successor accounts, the office administering the subhead will commence an intensive analysis of the outstanding balances contained therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, or allotment in existence on 30 September of the year in which the account expires for obligation.

Section IV: OTHER PROCUREMENT, NAVY

074360 SCOPE

1. GENERAL. The appropriation Other Procurement, Navy (OPN), finances the procurement, production, and modernization of equipment not otherwise provided for. Such equipments range from the latest electronic sensors required to update the naval forces, to trucks, training equipment, and spare parts. This equipment is an integral part of programs to improve the fleet and shore establishment by expanding or maintaining existing capabilities or replacing ineffective units. Also included is the procurement of air- and ship-launched ammunition.

★2. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the OPN appropriation as follows:

"For procurement, production and modernization of support equipment and materials not otherwise provided for, Navy ordnance and ammunition (except ordnance for new aircraft, new ships, and ships authorized for conversion); the purchase of not to exceed ____ passenger motor vehicles of which ____ shall be for replacement only; expansion of public and private plants, including the land necessary therefor, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; as follows:...in all $______, to remain available until September 30, 19____: Provided,..."

3. LIMITATIONS

a. Authorizing Legislation. As discussed in par. 072223, authorizing legislation is required for Department of Defense appropriations for procurement of ammunition and other procurement.

b. Time Limitations

(1) Administrative. Obligation targets are established for each program year starting with 1 October of each fiscal year, at the budget activity

level. This limitation on the period of fund availability for obligation purposes is designed to accelerate obligation performance and reduce excessive carryover of unobligated funds in accordance with the expressed desires of Congress.

(2) Congressional. The budget request submitted to the Congress for each fiscal year under the OPN appropriation is for a multiple-year appropriation to remain available for obligation for 3 fiscal years. Each fiscal year appropriation enacted is separate and discrete, is available for 36 months for obligation purposes, and upon expiration is available for obligation adjustments for 24 months. At the end of the second full year following expiration, the fiscal year appropriation lapses and any residual balances of unliquidated obligations are merged with the appropriation successor ("M") account. The unobligated balances of these lapsed appropriations remain available for restoration as required to cover bona fide obligation adjustments.

★074361 STRUCTURE AND CONTENT

1. GENERAL. The appropriation Other Procurement, Navy (OPN), is divided into eight budget activities. Budget Activities 1 through 6 are commodity oriented and parallel the organizational structure of the systems commands. Budget Activity 7 includes procurement of all nonsystems command items which are appropriately funded by this appropriation. Budget Activity 8 funds spares and repair parts for equipment procured by OPN. Training equipment is budgeted in each budget activity for the categories of items funded in the respective budget activity.

2. BUDGET ACTIVITY 1, SHIPS SUPPORT EQUIPMENT. This activity provides for the procurement of shipboard components for surface ships and submarines, reactor plant equipment and components; deep submergence support equipment; small boat procurement; and production facilities and equipment. This activity is coordinated by the Naval Sea Systems Command.

3. BUDGET ACTIVITY 2, COMMUNICATIONS AND ELECTRONIC EQUIPMENT. This activity provides funds for the procurement of shipboard and shore communications and electronics equipment. Included are: shipboard surface and air search radars; antisubmarine warfare electronics equipment which furnishes surface ships, submarines, and special shore activities with equipment used for detection, tracking, localization, and classification of submarines; equipment which will provide the fleet the capability of deceiving, intercepting, and analyzing airborne, electromagnetic and underwater radiation; the procurement of communications equipment for active fleet ships, worldwide shore facilities; and electronics equipment for fleet support, and continental shore and harbor defense activities, including cryptographic aids and devices for the Navy and Marine Corps. This activity is coordinated by the Space and Naval Warfare Systems Command.

4. BUDGET ACTIVITY 3, AVIATION SUPPORT EQUIPMENT. This activity provides funds for all air-delivered ordnance required for the Navy and Marine air forces, except missiles which are funded under the appropriation Weapons Procurement, Navy. Also included are air-launched antisubmarine (ASW) detection and other general support equipment associated with aircraft systems and other support equipment which includes ground electronics equipment, aircraft launching and retrieving equipment, photographic equipment, reconnaissance and electronic warfare processing and analysis equipment, and miscellaneous other categories. This activity is coordinated by the Naval Air Systems Command.

5. BUDGET ACTIVITY 4, ORDNANCE SUPPORT EQUIPMENT. This activity provides funds for expendable surface-launched ordnance, except surface-launched missiles which are funded under the appropriation Weapons Procurement, Navy. Also included are gun, missile, and ASW fire control and support equipment, small arms ammunition, mine components, FBM submarine equipment, and support for production facilities. This activity is coordinated by the Naval Sea Systems Command.

6. BUDGET ACTIVITY 5, CIVIL ENGINEERING SUPPORT EQUIPMENT. This activity provides funds for passenger-carrying vehicles, ambulances, trucks, trailers, construction, earth moving, fire fighting, weight-handling, amphibious and specialized construction battalion equipment, telephone equipment, mobile utilities support equipment, fleet moorings, public works equipment, ocean construction equipment, and pollution control, occupational safety and health equipment. Also included is collaterial equipment related to a military construction project not elsewhere provided. This activity is coordinated by the Naval Facilities Engineering Command.

7. BUDGET ACTIVITY 6, SUPPLY SUPPORT EQUIPMENT. This activity provides funds for forklift trucks and other materials-handling equipment used ashore and aboard ships and automated materials-handling systems used in the movement of supplies at supply distribution activities under the command of the Naval Supply Systems Command (NAVSUPSYSCOM) as well as at certain naval air stations. Also funded is miscellaneous support equipment used in the operation of naval supply centers and depots, inventory control points and commissary stores. This activity is coordinated by the Naval Supply Systems Command.

8. BUDGET ACTIVITY 7, PERSONNEL AND COMMAND SUPPORT EQUIPMENT.

a. General. Budget Activity 7 is administered by the Fiscal Management Division on behalf of the Chief of Naval Operations, but is subdivided for direct administration by various second echelon commanders. This activity funds the procurement of training aids and devices, scientific and technical equipment, industrial shop equipment, data processing equipment, and other general command support equipment not otherwise provided for.

b. Training Support Equipment. Training support equipment is administered by the Chief of Naval Education and Training and includes funds for procurement of training aids; training devices, except for Air and Naval Reserve training; nontechnical training equipment,and logistic support equipment for shore activities under the cognizance of the Chief of Naval Education and Training.

c. Naval Reserve Support Equipment. Naval Reserve support equipment is administered by the Chief of Naval Reserve and includes training and command support equipment for Reserve activities.

d. Command and Operating Forces Equipment. Investment items designated with an Appropriation Purchases Account cognizance symbol or items within the assigned central management responsibility of an office, bureau, or command are provided to users from other budget activities without reimbursement. This portion of Budget Activity 7 funds procurement of investment items for organizations other than the systems commands/project managers. Such items are related to a variety of programs which are under the administrative control of various commands and whose procurement requirements are not funded under other headings; e.g., the Under Secretary of the Navy for the staff offices and shore activities of the Secretary of the Navy; Fleet Commanders; and selected bureaus, commands, and activities under CNO.

e. Medical Support Equipment. Medical support equipment is administered by the Naval Medical Command and includes medical, dental, and command support equipment necessary for regional medical/dental centers, hospitals, clinics, and other medical facilities.

f. Intelligence and Environmental Support Equipment. This subactivity funds intelligence collection, analysis, and support equipment as part of the General Defense Intelligence Program. Also included is scientific, technical, survey and command support equipment for the Oceanographer of the Navy.

g. Automatic Data Processing Equipment. This activity provides centralized funding for nontactical automatic data processing (ADP) equipment. The Commander, Naval Data Automation

Command is the Financial Manager for the Computer Acquisition Program (CAP).

h. Productivity Investments. This subactivity funds productivity enhancing fast payback investment equipment for local commands.

9. BUDGET ACTIVITY 8, SPARES AND REPAIR PARTS. Budget Activity 8 provides funds for the procurement of spares and repair parts for equipment that is financed by Budget Activities 1 through 7.

074362 BUDGET ACTIVITY SUBHEADS

The first subdivision under the budget activity is the subhead which divides each budget activity into definable and related programs or groups of programs for ease of administration. Subheads are assigned at the P-1 line-item level or lower if more than one manager, command, office or bureau is involved in the execution of a P-1 line item. The Other Procurement, Navy appropriation four-digit subhead numbering system identifies the following data elements:

First digit—Organization or manager responsible for all or a part of the P-1 line item. For Budget Activities 1 through 6, it represents CNO/CMN designated manager or command. For Budget Activity 7 it represents a command or office
Second digit—Budget activity
Third and fourth digits—P-1 line item.

074363 ADMINISTRATION

1. APPORTIONMENT. The appropriation Other Procurement, Navy (OPN), is subject to the annual apportionment process described in par. 073100. The administering office submits the annual apportionment request to the Chief of Naval Operations (CNO), the Comptroller, and the Office of the Secretary of Defense (OSD) for transmittal to the Office of Management and Budget (OMB). Based on OSD/OMB analysis and prospective congressional appropriation action, funds are either released for execution or placed in a deferred status.

2. ALLOCATION. The Comptroller allocates all OPN funds to CNO as "responsible office." CNO, in turn, reallocates funds to the systems commands/project managers, designated as administering offices for Budget Activities 1 through 6. Budget Activity 7 is allocated in its entirety to CNO for subsequent allotment to other claimants.

3. EXECUTION

a. General. OPN is controlled on a program-year and line-item basis. A program-year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program-year under which it was budgeted. Subsequently, within scope of program, cost changes are funded from the program-year account under which the basic transaction occurred. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible.

b. Analysis of Unliquidated Obligations. Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are unessential. At the beginning of the fourth year of each subhead, and continuing until the balances are transferred to the successor accounts, the office administering the subhead will commence an intensive analysis of the outstanding balances contained therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, or allotment in existence on 30 September of the year in which the account expires for obligation.

Section V: PROCUREMENT, MARINE CORPS

074380 SCOPE

1. GENERAL. The appropriation Procurement, Marine Corps (PMC), provides the Marine Corps with weapons, ammunition, and related equipment, most of which are programmed for use by Marine general purpose forces such as Marine divisions and tank and amphibious tractor battalions. This equipment provides the hardware and munitions for defense of advanced naval bases, limited war landing operations, and general land warfare.

★2. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the PMC appropriation as follows:

"For expenses necessary for the procurement, manufacture, and modification of missiles, armament, ammunition, military equipment, spare parts, and accessories therefor; plant equipment, appliances, and machine tools, and installation thereof in public and private plants; reserve plant and Government and contractor-owned equipment layaway; vehicles for the Marine Corps, including purchase of not to exceed____ passenger motor vehicles for replacement only; and expansion of public and private plants, including land necessary therefor, and such lands, and interests therein, may be acquired and construction prosecuted thereon prior to approval of title: $_____; to remain available for obligation until September 30, 19____."

3. LIMITATIONS

a. Authorizing Legislation. The acquisition of tracked combat vehicles, missiles, other weapons, ammunition and other procurement to be financed by PMC must first be approved through authorizing legislation as described in par. 072223.

b. Time Limitations

(1) Administrative. Obligation targets are established at the budget activity level for the PMC appropriation for obligation of funds for each program year starting with 1 October of each fiscal year. This limitation on the period of fund availability for obligation purposes is designed to accelerate obligation performance and reduce excessive carryover of unobligated funds in accordance with the expressed desires of Congress.

(2) Congressional. The budget request submitted to the Congress for each fiscal year under the PMC appropriation is for a multiple-year appropriation to remain available for obligation for 3 fiscal years. Each fiscal year appropriation enacted is separate and discrete, is available for 36 months for obligation purposes, and upon expiration is available for obligation adjustments for 24 months. At the end of the second full year following expiration, the fiscal year appropriation lapses and any residual balances of unliquidated obligations are merged with the appropriation successor ("M") account. The unobligated balances of these lapsed appropriations remain available for restoration as required to cover bona fide obligation adjustments.

074381 STRUCTURE AND CONTENT

1. GENERAL. Budget activities and projects are on an item-type basis (ammunition, artillery, weapons, etc.). This structure generally parallels the organization of the Deputy Chief of Staff for Installations and Logistics, Marine Corps. Items within the budget activities are generally segregated on an end-item basis.

2. BUDGET ACTIVITY 1, AMMUNITION. This budget activity includes ammunition for small arms, grenade launchers, mortar, artillery, tank, and antitank weapons, grenades, mines, rockets, signals, explosives, fuses, and primers.

3. BUDGET ACTIVITY 2, WEAPONS AND COMBAT VEHICLES. This activity includes tanks, artillery, small arms weapons, tracked landing vehicles, and other tracked vehicles and supporting items.

4. BUDGET ACTIVITY 3, GUIDED MISSILES AND EQUIPMENT. This activity includes all missiles with a guidance system, wire, or remote. Rockets or missiles of a nonguided variety are in Budget Activity 1. This budget activity also requires authorizing legislation control.

5. BUDGET ACTIVITY 4, COMMUNICATIONS AND ELECTRONIC EQUIPMENT. This activity includes all radios, telephones, radars, automatic data processing equipment, and other electronic items. Items in this activity are divided into two groups, telecommunication and nontelecommunication. Trucks, trailers, and vans used to house some electronic items are included in Budget Activity 5. Multipurpose generators used to operate some of the items contained herein are in Budget Activity 6.

6. BUDGET ACTIVITY 5, SUPPORT VEHICLES. This activity includes passenger-carrying vehicles, commercial vehicles, and tactical vehicles (trucks, vans, trailers) not provided for under Budget Activity 2.

7. BUDGET ACTIVITY 6, ENGINEER AND OTHER EQUIPMENT. This activity provides for engineer and construction equipment for pioneer units (or for that part of tactical support not provided by the Navy construction battalions, generators, materials-handling equipment, and other items not included in other budget activities. This includes items such as cargo slings, floodlights, photo equipment, reproduction equipment, medical and dental equipment, and base support equipment.

★8. BUDGET ACTIVITY 7, SPARES AND REPAIR PARTS. Budget Activity 7 funds procurement of spares and repair parts for equipment that is financed by Budget Activities 1 through 6.

074382 BUDGET ACTIVITY SUBHEADS

The first subdivision under the appropriation is the budget activity which is identified in the account structure by a separate digit in the subhead. Budget activities are further subdivided into procurement line items. Through the 4-digit subhead numbering system, the Procurement, Marine Corps appropriation identifies these data elements as follows:

First digit—Budget activity
Second, third, and forth digits—P-1 line item.

074383 ADMINISTRATION

1. APPORTIONMENT. The Fiscal Director of the Marine Corps (FDMC) promulgates a call for apportionment data. The program sponsors within Headquarters, Marine Corps are responsible for coordination and review of all nonfinancial data to be submitted. The FDMC is responsible for final review, preparation of financial exhibits, and delivery to the Comptroller. The Comptroller reviews and forwards the submission to the Office of the Secretary of Defense (OSD) and the office of Management and Budget (OMB) for joint review. Based on OSD/OMB analysis and prospective congressional appropriation action, funds are either released for execution or placed in a deferred status.

2. ALLOCATION. The Comptroller allocates funds to CMC who is designated as the responsible office for PMC. FDMC allots funds via the Allotment/Suballotment Authorization (NAVCOMPT Form 372). Field allotments are initiated within the approved program in the amounts recommended by the Deputy Chief of Staff for Installations and Logistics (DC/S, I&L). All other funds available are allotted to the DC/S, I&L. After initial allocation, minor reprogramming changes are controlled by the appropriation sponsor with concurrence in proposed changes by FDMC.

3. EXECUTION

a. General. PMC is controlled on a program-year and line-item basis. A program-year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program-year under which it was budgeted. Susequently, within scope of program, cost changes are funded from the program-year account under which the basic transaction occurred. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible.

b. Analysis of Unliquidated Obligations. Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are unessential. At the beginning of the fourth year of each subhead, and continuing until the balances are transferred to the successor accounts, the office administering the subhead will commence an intensive analysis of the outstanding balances contained therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, or allotment in existence on 30 September of the year in which the account expires for obligation.

PART E: RESEARCH, DEVELOPMENT, TEST AND EVALUATION, NAVY

074400 SCOPE

1. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the appropriation Research, Development, Test and Evaluation, Navy (RDT&E,N), as follows:

"For expenses necessary for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, lease, and operation of facilities and equipment, as authorized by law; $______, . . . to remain available for obligation until September 30, 19__ __; provided, . . ."

2. LIMITATIONS

a. Authorizing Legislation. The program to be financed by the RDT&E,N appropriation must first be approved through authorizing legislation (see par. 072223).

b. Time Limitations. The budget request submitted to the Congress in each fiscal year under the RDT&E,N appropriation is for a multiple-year appropriation to remain available for obligation for 2 fiscal years. Each fiscal year appropriation enacted is separate and discrete, is available for 24 months for obligation purposes, and upon expiration is available for obligation adjustments for 24 months. At the end of the second full year following expiration, the fiscal year appropriation lapses and any residual balances of unliquidated obligations are merged with the appropriation successor ("M") account. The unobligated balances of these lapsed appropriations remain available for restoration as required to cover bona fide obligation adjustments.

074401 STRUCTURE AND CONTENT

1. GENERAL. The Research, Development, Test and Evaluation, Navy appropriation is divided into six budget activities. Each budget activity is further divided into program elements for which funds have been budgeted.

2. BUDGET ACTIVITY 1, TECHNOLOGY BASE. This activity finances basic research and exploratory development with the primary objective of increasing the store of fundamental scientific knowledge adaptable to the solution of widely varying future requirements.

3. BUDGET ACTIVITY 2, ADVANCED TECHNOLOGY DEVELOPMENT. This activity finances exploration of alternatives and concepts prior to development of specific weapons systems. New technological developments are pursued which are not formally identified to specific operational requirements. This effort includes feasibility demonstrations of innovative new concepts and emphasizes hardware competition and pursuit of alternate solutions to potential military problems.

4. BUDGET ACTIVITY 3, STRATEGIC PROGRAMS. This activity finances all research and development efforts on strategic offensive, defensive, and control systems.

5. BUDGET ACTIVITY 4, TACTICAL PROGRAMS. This activity finances advanced engineering and operational systems development efforts on all aspects related to all conflict levels of tactical warfare.

6. BUDGET ACTIVITY 5, INTELLIGENCE AND COMMUNICATIONS. This activity finances advanced, engineering, and operational systems development efforts in intelligence and worldwide communications.

7. BUDGET ACTIVITY 6, DEFENSE-WIDE MISSION SUPPORT. This activity finances efforts directed toward support of installations or operations required for use in general research and development and not allocable to specific missions. Included are technical integration efforts, technical information activities, major test ranges, test facilities, and general test instrumentation, target development, support of user test, international cooperative R&D, and other R&D support.

074402 BUDGET ACTIVITY SUBHEADS

The first subdivision under the appropriation is the budget activity which is further divided by the administering office. The subhead is applied at this level of program and organization responsibility. The Research, Development, Test and Evaluation, Navy appropriation 4-digit subhead numbering system identifies the data elements:

First digit—Management Command Code
Second digit—Budget Activity Code
Third and fourth digits—Navy Program Element Code

074403 ADMINISTRATION

1. RESPONSIBILITIES. The Assistant Secretary of the Navy (Research, Engineering and Systems) (ASN(RE&S)) is assigned responsibility for all matters relating to Research, Development, Test and Evaluation (RDT&E) efforts within the Department of the Navy including management of the Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation. To assist ASN(RE&S) in the overall management and control of the RDT&E,N appropriation, the Chief of Naval Research provides the supporting staff services for the coordination and consolidation of budgeting, accounting, and related reporting operations at the appropriation level. Accordingly, the designation of "responsible office" as shown in par. 022200-3a, is "ASTSECNAVRESDEV (ONR)" and refers to the Office of Naval Research when it is acting in its supporting staff capacity. The term "administering office" refers to those components of the Department of the Navy so designated in par. 022201-9.

★2. APPORTIONMENT. The appropriation Research, Development, Test and Evaluation, Navy (RDT&E,N), is subject to the annual apportionment process described in par. 073100. Within the guidance provided by ASN (RE&S), Chief of Naval Research (CNR), and Chief of Naval Operations (CNO), the RDT&E,N apportionment requests are developed by the administering organizations. The requests are reviewed and consolidated by the Director, Office of RDT&E and ONR prior to presentation to ASN (RE&S) and the CNO Executive Board. Once reviewed, the request is submitted by ONR, via the Comptroller and the Office of the Secretary of Defense (OSD) to the Office of Management and Budget (OMB). Based on OSD/OMB analysis and prospective congressional appropriation action, funds are either released for execution or placed in a deferred status.

3. ALLOCATION. The allocation made by the Comptroller to ONR, who is designated as the responsible office for RDT&E,N is suballocated to the administering organizations in the amounts approved for obligation. Funds are suballocated by fiscal year, budget activity and program element. Internal control of reprogramming at the command and administering activity level is accomplished by requiring the review and approval of all allocation changes by the ONR Comptroller.

4. EXECUTION

a. Program-Year Concept. The RDT&E,N appropriation is controlled at the administering organization level on a program-year and RDT&E program element basis. A program year consists of all programs budgeted and approved for funding in a specific budget year. The RDT&E program is budgeted on an annual incremental funding basis; i.e., those costs expected to be incurred during the budget year. Although RDT&E,N is a two-year appropriation to allow for obligations in the second year when delays are encountered because of significant technical difficulties or protracted negotiations, all second year obligations of RDT&E,N funds must be restricted to only those tasks within the scope of the approved budget year program. The incremental programming policy is discussed in detail in par. 075402.

b. Analysis of Unliquidated Obligations. Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations. This review is essential to comply with the certification requirements of Section 1311 of the Supplemental Appropriation Act of 1955 (31 U.S. Code 200). At the beginning of the third year of each subhead, and continuing until the balances are transferred to the successor accounts, the office administering the subhead will commence an intensive analysis of the outstanding balances contained therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, and other obligation documents in existence on 30 September of the year in which the account expires for obligation.

PART F: MILITARY CONSTRUCTION APPROPRIATIONS

Section I: MILITARY CONSTRUCTION, NAVY

074500 SCOPE

1. GENERAL. The Military Construction, Navy (MCN) appropriation provides for the establishment or development of military installations and facilities for the Active Forces of the Navy and Marine Corps, including projects programmed for construction on land that is not in the inventory of the Department of Defense, by acquiring, constructing, converting, rehabilitating, or installing permanent or temporary public works, including land acquisition, site preparation, appurtenances, utilities, and equipment.

2. APPROPRIATION LANGUAGE. The Department of Defense Military Construction Act provides language for MCN as follows:

"For acquisition, construction, installation, and equipment of temporary or permanent public works, naval installations, facilities, and real property for the Navy as currently authorized by law, including personnel in the Naval Facilities Engineering Command and other personal services necessary for the purposes of this appropriation $______, to remain available until September 30, 19__: Provided, That of this amount, not to exceed $______ shall be available for study, planning, design, architect and engineer services, as authorized by law, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of his determination and the reasons therefor."

3. LIMITATIONS

★a. Authorizing Legislation. As discussed in par. 072223, authorizing legislation is required for the Navy and Marine Corps military construction program. Accordingly, the annual appropriations request is presented on a program year basis for projects which may reasonably be expected to start during the budget year and for which authorization is requested concurrently. All projects included in the annual budget request should reflect, as a minimum, a 35 percent design stage. Congress established the 35 percent criteria not only to ensure a good price estimate but also to ensure that design would progress sufficiently to enable contract award soon after appropriation of funds.

b. Time Limitations

(1) Administrative. A military construction project authorization remains available approximately 2 years and is repealed on 30 September of the third calendar year of availability of each MCN appropriation unless obligations have been established to indicate commencement of construction. An obligation target is established for the design budget activity for each program year starting 1 October of each fiscal year. This limitation on the period of fund availability for obligation purposes is designed to accelerate obligation performance and reduce excessive carryover of unobligated funds in accordance with the expressed desires of Congress.

(2) Congressional. The MCN appropriation is a multiple-year appropriation to remain available for obligation for 5 fiscal years. Each fiscal year appropriation enacted is separate, discrete and available for 60 months for obligation purposes. Effective with the Military Construction Appropriations Act of 1986, construction projects may not be split-funded among different years of appropriations and the following financing policy and procedures pertain:

1. Projects for which funds were appropriated prior to FY 1986 may continue to be "split-funded" but only to the extent that funds appropriated prior to FY 1986 are used for this purpose.
2. A project for which funds have been provided in the FY 1986 Act may be accomplished from funds remaining available from a prior year act, but must be started and brought to fiscal completion from funds available under that prior act.
3. A project for which funds were provided in a prior act may be accomplished from funds appropriated in the FY 1986 Act, but must be started and brought to fiscal completion with FY 1986 funds.
4. No new obligations may be incurred on projects in excess of five years old unless the new requirement has been submitted

to and approved by Congress in the regular budget process.

5. In the event these new requirements prevent or hinder the proper and timely execution of the military construction program, NAVCOMPT must be notified in order to prepare a request for transfer of unobligated balances and submit this request to Congress for approval.

074501 STRUCTURE AND CONTENT

1. GENERAL. The Military Construction, Navy appropriation is divided into four budget activities. The Major Construction budget activity is further divided into projects for which funds have been budgeted.

2. BUDGET ACTIVITY 1, MAJOR CONSTRUCTION. This activity provides for the acquisition of land and for construction of individual military projects, as authorized. The construction project description is for a single undertaking which includes the cost of all construction work to produce a complete and usable facility. Similarly, the description of a construction project for an existing facility includes all costs necessary to produce a complete and usable improvement, conversion, and rehabilitation.

3. BUDGET ACTIVITY 2, MINOR CONSTRUCTION

a. General. The minor construction budget activity provides for projects within a cost not to exceed $1 million and not otherwise provided by law. A minor construction project is a single undertaking at a military installation which includes all construction work, land acquisition, and installation of equipment necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility. Only funds authorized to the Secretary of the Navy (SECNAV) for minor construction projects may be used to accomplish minor construction projects, except that SECNAV may spend, from appropriations available for operation and maintenance, amounts necessary for any project costing not more than 20% of the amount specified by law as the maximum amount for a minor military construction project.

b. Approval Levels. The Secretary of the Navy must approve all minor construction projects costing more than $500,000. He has delegated this authority to the Assistant Secretary of the Navy (Shipbuilding and Logistics). Congress must be notified in writing of the intended execution of all unspecified minor construction projects costing over $200,000. The project may be carried out only after the end of a 30-day period beginning on the date notification is received by the House and Senate Military Construction Appropriations Subcommittees unless an objection has been made. Such notice applies only to unspecified minor construction projects and is not required for projects specifically authorized and appropriated in the annual military construction acts. For projects which cost $500,000 or less, approval authority has been delegated to the Chief of Naval Operations (CNO) and the Commandant of the Marine Corps (CMC). Projects which cost $200,000 or less are eligible for financing from appropriations available for operation and maintenance and approval authority for this category of minor construction has been delegated to the major claimants. Finally, Congress must be notified, regardless of project cost, the intent to carry out a minor construction for the relocation of any activity from one installation to another that involves 25 or more full-time civilian employees of the Department of Defense.

c. Cost Increases. The approved amount for a minor construction project may be increased above $1 million if SECNAV determines that such an increase is required for the sole purpose of meeting unusual variations in cost and that the cost variation could not have been reasonably anticipated at the time the project was originally approved. Congressional approval is required if the current working estimate of the cost is more than $1 million and more than 120% of the original approved amount for the project. From the date of submission to Congress the request for approval of the cost increase, 30 days must elapse before approval may be assumed. After a contract for a project has been entered into, SECNAV can fund the project above the project amount approved by Congress in order to meet the costs of change orders or contractor claims. If a project cost variation has not been provided to Congress, SECNAV must report the revised cost of the project to Congress only if it exceeds the approved amount by 20%. If a project cost variation has been previously approved by Congress, SECNAV must report to Congress regardless of the amount involved.

d. Operation and Maintenance Limitation. Projects approved at a cost of $200,000 or less and undertaken within the authority for appropriations available for operation and maintenance to finance minor construction projects are constrained in total cost by 10 U.S. Code 2805. Accordingly, if during execution it appears that an approved project will exceed the limitation, no work may proceed which will create obligations of the Government in an amount in excess of the limitation. Immediate notification to CNO or CMC is required in order to obtain necessary authorization, dependent upon the revised estimated cost.

4. BUDGET ACTIVITY 3, DESIGN. This activity finances the program authorized by 31 U.S. Code 723 for the necessary design of construction projects, including engineering, plans and specifications, and land appraisals, to develop the most economical engineering solution for facility requirements in advance of submission of proposed major and minor construction projects to the Congress. Since costs for design are excluded from construction project cost estimates, the work to be financed is budgeted on a program year basis starting with 1 October of each fiscal year.

5. BUDGET ACTIVITY 4, SUPPORTING ACTIVITIES

a. General. The supporting activities budget activity covers general authorizations for all other activities which support the military construction program and are financed from this appropriation. The number and type of programs in the activity often vary from one budget year to the next, but the most common have been Access Roads and Minor Land Acquisition, which are discussed in subpars. b and c.

b. Access Roads. The access roads program includes construction, relocation and other work in providing access roads to Navy and Marine Corps installations or stations. Access road projects are required for replacement or relocation of public highways necessitated by construction of new or expansion of existing Navy or Marine Corps activities. Such projects are also vital for relocation of highways to satisfy airway-highway or explosive-clearance criteria. Highways located within the boundaries of a military reservation are not eligible for financing from these funds, nor are projects in the Federal Aid Primary Systems usually eligible although exceptions may occur for cases such as requirements for special vehicles usage or for weapons safety. In many instances, costs incurred are shared with local or state governments, in which case the access roads may, thereby, become part of the state or local system. The Navy budgets funds each year in the military construction appropriation for access roads which are authorized in 23 U.S. Code 210. When an access road is certified for construction, funds are transferred to the Federal Highway Administration, United States Department of Transportation, which assures compliance with requirements of law and executes the program, principally through state and local highway agencies. When the funds are transferred, there is no further Navy responsibility. Reports on the status of funds are made available through accounting reports provided by the Federal Highway Administration.

c. Minor Land Acquisition. The Secretary of the Navy, under 10 U.S. Code 2672, is authorized to procure land or easements when the cost is not more than $100,000 per parcel (exclusive of administrative costs and deficiency judgments) and when he or his designee determines that it is needed in the interest of national defense. This authority does not permit the acquisition, as part of the same project, of two or more contiguous parcels of land that together, cost more than $100,000. The Department of Defense Appropriation Act permits the Secretary to pay for this additional land from either construction or operating funds. Under 10 U.S. Code 2672a, the Secretary of the Navy, when consideration of urgency does not permit the delay necessary to include the required acquisition in an annual Military Construction Authorization Act, may make surveys and acquire interest in land (including temporary use) by gift, purchase, exchange of land owned by the U.S., or otherwise. The acquisition must be required to maintain the operational integrity of a military installation and needed in the interests of national defense. While the $100,000 limitation does not apply, any contemplated action must be provided in writing to the

Armed Services Committees of the Senate and House of Representatives at least 30 days in advance of any action being taken.

074502 BUDGET ACTIVITY SUBHEADS

The first subdivision under the appropriation is the budget activity which is identified in the account structure by a separate subhead. The MCN appropriation 4-digit subhead numbering system identifies the following data elements:

First two digits—Administering office
Third digit—Fiscal year program
Fourth digit—Budget activity

074503 ADMINISTRATION

1. APPORTIONMENT. Project proposals are developed by Navy and Marine Corps field activities and submitted via command chain to claimants, who, in turn, submit their command-approved project requests to the Chief of Naval Operations (CNO) for consideration in development of the annual Military Construction Program. Acting as staff on behalf of CNO, the Commander, Naval Facilities Engineering Command (NAVFAC) coordinates the preparation and submission of the appropriation requests for the Military Construction Program to the Office of Budget and Reports (OBR) for Departmental budget review. Requests to the Assistant Secretary of Defense (Comptroller) (ASD(C)) for apportionment action for MCN is also prepared by NAVFAC. The request is for the apportionment of all funds. The Office of Management and Budget (OMB) generally approves funds for only those projects free of impediments for starting within 6 to 9 months. Reserves are established for the balance of the program and reapportionment requests are required to obtain release of these funds.

2. ALLOCATION

a. General. The Comptroller allocates the obligational authority for the MCN appropriation to CNO who then suballocates the authority to the Commander, Naval Facilities Engineering Command. The NAVFAC Comptroller allocates sufficient funds to each Engineering Field Division (EFD) to finance its construction program requirements. The amount allocated to each EFD is in total for the division and is subdivided for control purposes at budget activity or appropriation subhead levels.

★b. Reprogramming. Reprogramming of military construction projects and minor military construction projects prior to FY 1988 must be submitted to the House and Senate Military Construction Appropriations Subcommittees for approval, if the new cost estimate exceeds the old by 20 percent or $1 million, whichever is less. Effective with the Military Construction Appropriation Act of 1988, reprogramming of all FY 1988 and subsequent military construction projects must be submitted to the House and Senate Military Construction Appropriations Subcommittees for approval, if the new cost estimate exceeds the old by 20 percent or $1.5 million, whichever is less. The Department must submit the reprogramming request for approval to each subcommittee 30 days prior to the date on which action is required. No additional funds may be added to a project for which a reprogramming has been approved by the subcommittees without again requesting prior approval of each subcommittee. Approval will be obtained by formal reprogramming requests, which require processing through CNO/OBR/ASD(C)/OMB to the Congress. This requirement applies regardless of the fiscal year of the authorization or appropriation. Projects for which funds have been provided in FY 1986 and subsequent fiscal years shall not be split-funded among different years of appropriations. Effective in FY 1988, cost increases that exceed current or past reprogramming thresholds due solely to final settlement of contractor claims do not require approval prior to reprogramming. Any project being completed in its entirety with funds that are in expired or lapsed status will not be subject to reprogramming thresholds. Project increases, in this case, are allowable only for valid upward price adjustments which exclude any work not in the scope of the original contract. See par. 074500-3 for congressional and statutory limitations. Under the new procedures, 25 percent of the total amount authorized for minor construction may be reprogrammed into the minor construction account. This requires congressional approval as discussed above.

3. EXECUTION

a. Program-Year Concept. The MCN appropriation is controlled on a program-year and construction project basis. A program-year consists of all programs budgeted and approved for funding a specific budget year. Within scope of program, cost changes are funded from the program year account under which the basic transaction occurred.

b. Analysis of Unliquidated Obligations. Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are not essential. Additional information is provided in the current issuance of NAVCOMPTINST 7301.25.

Section II: MILITARY CONSTRUCTION, NAVAL RESERVE

074520 SCOPE

1. GENERAL. The Military Construction, Naval Reserve (MCNR) appropriation provides for the establishment or development of facilities for the training and administration of the Reserve Forces of the Navy and Marine Corps, including projects programmed for construction on land that is not in the inventory of the Department of Defense. Each new construction project must be a single undertaking which includes the cost of all construction work to produce a complete and usable facility. Similarly, a construction project for an existing facility must produce a complete and usable improvement.

2. APPROPRIATION LANGUAGE. The Department of Defense Military Construction Act provides language for MCNR as follows:

> "For construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the reserve components of the Navy and Marine Corps as authorized by Chapter 133 of title 10, United States Code, as amended, and military construction authorization Acts, $_____, to remain available until September 30, 19____."

3. LIMITATIONS

a. Authorizing Legislation. As discussed in par. 072223, authorizing legislation is required for the Navy and Marine Corps military construction program. Accordingly, the annual appropriations request is presented on a program year basis for projects which may reasonably be expected to start during the budget year and for which authorization is requested concurrently.

b. Time Limitations. The MCNR appropriation is a multiple-year appropriation to remain available for obligation for 5 fiscal years. Each fiscal year appropriation enacted is separate, discrete and available for 60 months for obligation purposes. Effective with the Military Construction Appropriations Act of 1986, construction projects may not be split-funded among different years of appropriation. Details on these statutory financial policy and procedure changes are contained in par. 074500 and are also applicable to the MCNR appropriation.

074521 STRUCTURE AND CONTENT

1. GENERAL. The Military Construction, Naval Reserve appropriation is divided into three budget activities. The Major Construction budget activity is further divided into projects for which funds have been budgeted.

★2. BUDGET ACTIVITY 1, MAJOR CONSTRUCTION. This activity provides for the acquisition of land and for construction of individual military projects, as authorized. The construction project description is for a single undertaking which includes the cost of all construction work to produce a complete and usable facility. Similarly, the description of a construction project for an existing facility includes all costs necessary to produce a complete and usable improvement, conversion, and rehabilitation.

★3. BUDGET ACTIVITY 2, MINOR CONSTRUCTION

a. General. The minor construction budget activity provides for projects within a cost not to exceed $400,000 and not otherwise provided by law. A minor construction project is a single undertaking at a military installation which includes all construction work, land acquisition, and installation of equipment necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility.

b. Approval Levels. The Secretary of Defense must approve all minor construction projects costing more than $200,000. The Committees on Armed Services and on Appropriations of the Senate and House of Representatives must be notified in writing of the intended execution of all unspecified minor construction projects costing over $200,000. The project may be carried out only after the end of a 30-day period beginning on the date notification is received by Congress. Such notice applies only to unspecified minor construction projects and is not required for projects specifically authorized and appropriated by Congress. For projects which cost $200,000 or less, approval authority has been delegated to the Chief of Naval Reserve and the Commanding General, Fourth Marine Division. Projects which cost $100,000 or less are eligible for financing from appropriations available for operation and maintenance and approval authority for this category of minor construction has been delegated to the major claimants.

c. Cost Increases. The approved amount for a minor construction project may not be increased above $400,000 without the approval of the Military Construction Subcommittees of the Appropriations Committees of the House and Senate. Congressional approval is required if the project costs go above $400,000, because in effect, the project moves from a minor construction project to a major construction project at this dollar threshold and reprogramming action is required to approve the resulting major construction project.

d. Operation and Maintenance Limitation. Projects approved at a cost of $100,000 or less and undertaken within the authority for appropriations available for operation and maintenance to finance minor construction projects are constrained in total cost by 10 U.S. Code 2233. Accordingly, if during execution it appears that an approved project will exceed the limitation, no work may proceed which will create obligations of the Government in an amount in excess of the limitation. Immediate notification to CNO or CMC is required in order to obtain necessary authorization, dependent upon the revised estimated cost.

★4. BUDGET ACTIVITY 3, DESIGN. This activity finances the necessary design of construction projects, including engineering, plans and specifications, and land appraisals, to develop the most economical engineering solution for facility requirements in advance of submission of proposed major and minor construction projects to the Congress. Since costs for design are excluded from construction project cost estimates, the work to be financed is budgeted on a program year basis starting with 1 October of each fiscal year.

074522 BUDGET ACTIVITY SUBHEADS

The first subdivision under the appropriation is the budget activity which is identified in the account structure by a separate subhead. The MCNR appropriation 4-digit subhead numbering system identifies the following data elements:

First two digits—Administering office
Third digit—Fiscal year program
Fourth digit—Budget activity

074523 ADMINISTRATION

1. APPORTIONMENT. Project proposals are developed by Navy and Marine Corps field activities and submitted via command chain to claimants, who, in turn, submit their command-approved projects requests to the Chief of Naval Operations (OP-09R) for consideration in development of the annual Military Construction Reserve Program. OP-09R coordinates the preparation and submission of the appropriation requests for the Military Construction Reserve Program to the Office of Budget and Reports (OBR) for Departmental budget review. Requests to the Assistant Secretary of Defense (Comptroller) (ASD(C)) for apportionment action for MCNR are prepared by the Commander, Naval Facilities Engineering Command (NAVFAC). The request is for the apportionment of all funds. The Office of Management and Budget (OMB) generally approves funds for only those projects free of impediments for starting within 6 to 9 months. Reserves are established for the balance of the program and reapportionment requests are required to obtain these funds.

2. ALLOCATION

a. General. The Comptroller allocates the obligational authority for the MCNR appropriation to CNO who then suballocates the authority to NAVFAC. The NAVFAC Comptroller allocates and assigns sufficient funds to each Engineering Field Division (EFD) to finance its construction program requirements.

b. Reprogramming. Effective with the Military Construction Appropriations Act of 1986, all MCNR construction project and minor construction project reprogramming requests must be submitted to the House and Senate Military Construction Appropriations Subcommittees for approval, if the new cost estimate exceeds the old by 20% or $1 million, whichever is less. The DON must submit the reprogramming request for approval to each Subcommittee 30 days prior to the date on which action is required. A formal reprogramming request must be prepared for each request submitted to Congress. Details on these reprogramming changes are provided in par. 074503 and are applicable to the MCNR appropriation.

3. EXECUTION

a. Program-Year Concept. The MCNR appropriation is controlled on a program-year and construction project basis. A program-year consists of all programs budgeted and approved for funding in a specific budget year. Within scope of program, cost changes are funded from the program year account under which the basic transaction occurred.

b. Analysis of Unliquidated Obligations. Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are not essential. Additional information is provided in the current issuance of NAVCOMPTINST 7301.25.

Section III: FAMILY HOUSING, NAVY AND MARINE CORPS

074540 SCOPE

1. GENERAL. The Family Housing, Navy and Marine Corps appropriation provides for the construction of new housing; construction of mobile home parks; improvement of existing housing and related projects; architectural and engineering services and construction design; and operation and maintenance of family housing and related facilities. The appropriation also provides for leasing of family housing, payments for early termination of rental guarantee agreements, and the off-base housing referral service.

★2. APPROPRIATION LANGUAGE. The Department of Defense Military Construction Act provides language for Family Housing, Navy and Marine Corps as follows:

"For expenses of family housing for the Navy and Marine Corps for construction, including acquisition, replacement, addition, expansion, extension and alteration and for operation and maintenance, including debt payment, leasing, minor construction, principal and interest charges, and insurance premiums, as authorized by law, as follows: for Construction, $ ____ ; for Operation and Maintenance, and for debt payment, $ ____ ; in all, $ ____ : Provided, That the amount provided for construction shall remain available until September 30, 19 __ ."

3. LIMITATIONS. Funds appropriated for the activities within the major category of construction are multiple-year funds and remain available for obligation for 5 fiscal years. The limitations are identical to the MCN limitations described in par. 074500-3. Funds appropriated for the operation and maintenance of family facilities and for payment of family housing debt are annual funds and subject to the same limitations which apply to other annual appropriations.

074541 STRUCTURE AND CONTENT

1. GENERAL. Within the Family Housing, Navy and Marine Corps appropriation, funds are provided for the activities with the major categories of construction, operation and maintenance and debt payment.

2. CONSTRUCTION

a. New Construction. New construction (by installation and project) provides for the erection, installation, assembly, relocation, or replacement of single or multifamily dwelling units; related land acquisition, site preparation, excavation, filling and landscaping, or other land improvements; the initial outfitting during construction of a dwelling unit with fixtures and other equipments which are either integral components or movable items of major equipment thereof, including major appliances. It also includes the construction of trailer court facilities and of new nondwelling buildings directly associated with family dwelling units or a family housing area; roads, driveways, walks, and utility systems which primarily serve the family housing units; and community facilities which are integral to a family housing area and are available for use only by family housing area residents and their house guests. Construction amounts authorized include the cost of shades, screens, ranges, refrigerators, and all other installed equipment and fixtures, supervision, inspection, overhead, site preparation, installation of utilities, and ancillary supporting facilities.

b. Acquisition of Housing. Acquisition of housing (by installation and project) includes acquisition of housing projects through purchase of the sponsor's equity and the acquisition of utility distribution systems and personal property associated with those dwelling units.

c. Post Acquisition Construction. Post acquisition construction includes construction projects for the following purposes:

1. upgrading substandard family housing to produce adequate family housing;
2. upgrading acquired housing units to produce adequate family housing;
3. conversion of existing facilities to family housing;
4. alterations—additions, expansions, extensions;
5. construction of family housing real property other than dwelling units required subsequent to and because of previously acquired dwelling units;
6. energy conservation investments;
7. replacements;
8. restorations of dwelling unit or other family housing real property facilities damaged or destroyed.

d. Architectural and Engineering Services and Construction Design. Architectural and engineering services include design, working drawings, specifications and estimates for both new construction and post acquisition construction projects.

e. Rental Guarantee Payments. Rental guarantee payments provide for payments which become due under rental guarantees to sponsors of family housing projects built in foreign countries for use by Defense personnel.

f. Capehart Title Search and Title Insurance. The Capehart title search and title insurance project provides for the expenses incurred in obtaining a title search to support a military guarantee of title incident to Capehart housing projects, and the expenses incurred for commercial title insurance when necessary Capehart housing financing cannot be obtained without such insurance.

3. OPERATION AND MAINTENANCE

a. Operation. Operation provides for the initial outfitting, maintenance, repair, and replacement of furnishings, including furniture, movable household equipment and miscellaneous items, except for the issue of movable household equipment included as initial outfitting during construction. It also provides for utility services, except telephone service; other services such as refuse collection and disposal, custodial services, insect and rodent control, snow removal, handling and moving of Government-owned furniture and movable equipment, and police and fire protection; other direct and indirect administrative and support-type services at installation level such as assistance in locating and inspecting privately owned family housing for DOD personnel, family housing requirements surveys, preliminary family housing studies or engineering construction plans made prior to OSD project approval, or work performed in the installation engineering or public works office, housing office, and the administrative offices in direct support of family housing. It also includes inspection of construction and administration of rental guarantee projects and the leasing of family housing facilities by the Government.

b. Maintenance of Real Property Facilities. Maintenance of real property facilities includes maintenance and repair of buildings, roads, driveways, walks, exterior and interior utility systems, grounds care, and maintenance, repair, and replacement of fixtures and other equipment which are integral components of a housing unit. It also includes projects for incidental alterations and additions-expansions-extensions, performed under the authority of 10 U.S.C. 2674.

c. Reimbursements (Operation and Maintenance. Collections for rents and services are utilized within the Family Housing, Navy and

Marine Corps account to defray operation and maintenance expenses in accordance with applicable statutes. Collections are received for:

1. rental of housing including Government furniture if provided;
2. sale of utilities and services;
3. collections from non-Department of Defense Federal Agencies;
4. leasing of nonexcess family housing property;
5. loss or damage to family housing units;
6. rental of Capehart housing units which the Government has a right, title, or interest.

4. DEBT PAYMENT

a. Budget Account

(1) Capehart Mortgages. The Capehart mortgages account includes payments of interest and insurance premiums on Capehart mortgages and payment of other expenses such as resident agent's fees, annual corporate filing fees, and franchise taxes.

(2) Wherry Mortgages. Wherry mortgages provide for payments of interest and insurance premiums on Wherry mortgages.

(3) Servicemen's Mortgage Insurance Premiums. Provides for payments of servicemen's mortgage insurance premiums.

b. Borrowing Account

(1) Borrowing From the Public. Borrowing from the public reflects borrowing and repayments of principal amounts held by the public (all others than U.S. Government agencies) for Capehart and Wherry mortgages. Borrowing is recorded as an increase in "Authorization to Spend Agency Debt Receipts" in the regular budget account. Disbursements made are recorded as a lapse of "Authorization to Spend Agency Debt Receipts" in the regular budget account and as a reduction of debt owed in the borrowing account.

(2) Borrowing From U.S. Government Agencies. Borrowing from the U.S. Government agencies includes records of borrowing and repayments of principal amounts held by U.S. Government agencies against Capehart and Wherry mortgages. The basis for accounting is the same as that described for borrowing from the public in subpar. (1).

074542 ADMINISTRATION

1. APPORTIONMENT AND ALLOCATION. The initial request for apportionment of funds and financial authority is submitted to the Comptroller for review and subsequent submission to the Office of the Secretary of Defense (OSD), which obtains apportionment from the Office of Management and Budget. OSD issues specific financial authority to the Secretary of the Navy for the Navy and Marine Corps family housing program. The Comptroller allocates specific financial authority to the Commander, Naval Facilities Engineering Command (NAVFAC), as administering office, who passes financial authority to his subordinates as follows:

Construction—Financial control, jurisdiction and responsibility for funds passed to the respective Engineering Field Division (EFD) by Allocation of Funds (NAVFAC Form 10-7300/7);

Operation and Maintenance—NAVCOMPT Form 372 issued to the EFD's; Work Request (NAVCOMPT Form 2275) issued in turn to each activity having management responsibility for the operation and maintenance of family housing; Request for Contractual Procurement (NAVCOMPT Form 2276); or Project Order (NAVCOMPT Form 2275) also issued, as appropriate;

Debt Payments—Allotment/Suballotment Authorization (NAVCOMPT Form 372) issued to the Deputy Director of Programs and Comptroller, NAVFAC.

★2. EXECUTION

a. Construction

(1) New Construction. Effective with the Military Construction Appropriations Act of 1986, reprogramming criteria for all new family housing construction projects, minor construction projects and improvement projects shall be consistent with the new requirements for military construction projects. All improvement projects over $1 million

are to be included in this procedure. If the new cost estimate exceeds the old by 20% or $1 million, whichever is less, the DON must submit a reprogramming request for approval to both the House and Senate Military Construction Appropriations Subcommittees. The request must be prepared by NAVCOMPT and submitted 30 days prior to the date on which action is required. Additional details on congressional funding and reprogramming limitations which apply to the Family Housing appropriation are provided in pars. 074500 and 074503.

(2) Post Acquisition Construction and Improvements. All improvement projects costing over $1 million in which the new cost estimate exceeds the old by 15% or $1 million, whichever is less, are governed by the reprogramming procedures and criteria for military construction projects. NAVFAC may approve obligation of funds appropriated for improvements for projects which do not exceed the amount per unit set forth in the annual Military Construction Appropriations Act, currently $30,000. Approval authority for improvements and restorations are contained in the current issuance of SECNAVINST 11101.72.

b. Operations, Utilities, Maintenance, and Leasing Accounts. Transfer of any amount in excess of 15% or $6 million, whichever is less, among or between the operations, utilities, maintenance and leasing accounts shall be subject to the prior approval of both the House and Senate Military Construction Appropriations Subcommittees. Lower limits to this threshold shall be established by the CNO/CMC and major claimants in issuing operating budgets to the field. Reimbursements may be utilized to defray operation or maintenance expenses within the obligational authority provided, but are limited to the amount of reimbursements earned and collected.

(1) Operations and Maintenance. The Committees must be notified within 30 days upon transfer of any amount in excess of 25% or $3 million, whichever is less, between or among the subaccounts of the operations account. Effective in FY 1986, a new general provision limits end-of-year obligation rates for the family housing operations and maintenance accounts to no more than 20% in the last 2 months of the fiscal year. Total operations and maintenance obligations on each general or flag officer quarters are limited to $25,000 per year unless specifically reported to Congress. Maintenance expenditures exceeding $15,000 per unit must be justified to Congress in the budget submission.

(2) Utilities. Utilities is established as a separate account for the express purpose of paying utility bills. This is a separate account for reprogramming purposes and any reprogramming above threshold must be approved by Congress.

(3) Leasing. The DON must notify both the House and Senate Military Construction Appropriations Subcommittees of its intention to enter into domestic leases costing over $6,000 per unit per year at least 21 days prior to entering into any such leases. This notification requirement applies to foreign leases costing over $12,000 per unit per year.

c. Debt Payment. An obligation limitation is established by OSD to cover interest payments and other debt expenses, except for payments on debt principal owed. In addition to funds provided to finance this obligation authority, OSD establishes a specific amount for regular monthly principal payments. Under the new Federal budget concept, such payments are recorded in a "Borrowing Account" but not as obligations or expenditures in the regular "Budget Account."

3. SOURCE DOCUMENT. For further information related to the subject covered by this paragraph, see the current issuance of NAVCOMPTINST 7100.39, and SECNAVINST 11101.72.

PART G: REVOLVING AND MANAGEMENT FUNDS

Section I: STOCK FUNDS

★074600 SCOPE

1. GENERAL. The Department of the Navy Stock Fund (DONSF) is authorized by 10 U.S.C. 2208 and the current issuance of DOD Directive 7420.13. The purpose of the DONSF is to finance specified categories of material to support ships, aircraft, personnel, and the shore establishment of the Department of the Navy. DONSF material is furnished to other Services and other Government agencies in accordance with supply support agreements. Volume 8 of the Navy Comptroller Manual prescribes policies and procedures relating to budgeting, funding, accounting, reporting, and billing for material inventories owned by the DONSF. In general, the capital of the stock fund is maintained by receipts of cash or credit from issue of material to customer appropriations of the Department of the Navy, other DOD agencies, other Government agencies, and other authorized customers. Stock fund obligational authority is derived from anticipated customer reimbursements, approved contract authority, and Congressional appropriations.

2. APPROPRIATION LANGUAGE. The Department of Defense Appropriation Act provides language for the DONSF appropriation as follows:

"For the Department of the Navy stock fund, $ ______."

3. LIMITATIONS. Legislation is required to authorize Department of Defense (DOD) annual direct appropriations to finance stock fund inventory augmentation and mobilization requirements. See par. 072223.

★074601 STRUCTURE AND CONTENT

1. GENERAL. Based upon requirements projections for its various customers, stock fund managers budget for obligational authority to finance peacetime operating stock (POS), POS inventory augmentation, and mobilization (war reserves) stock. The revolving POS requirement is financed by obligational authority derived from anticipated customer reimbursements and contract authority based on anticipated customer orders. An annual direct appropriation is provided to the stock fund to finance POS inventory augmentation and mobilization requirements.

2. OBLIGATIONAL CATEGORIES. Obligations are divided into Operating, Inventory Augmentation, and Mobilization.

a. Operating. Operating obligations include replenishment requirements as well as obligations to offset (1) price changes, (2) anticipated or actual increases in inventory levels based on approved economic buy or repair methodologies, life-of-type buys or similar acquisition techniques, (3) anticipated or actual increases in inventory based on accounting systems or physical movement of stock funded material within the supply system; i.e., material returns (with or without credit), material transfers among activities, transfers from property disposal activities, logistics transfers among DOD components , (4) anticipated or actual increases in inventory for stockage or consumption (sales) based on actual or forecasted increased demand, usage, or operating tempo of end items, weapon systems or assemblies or increased material failure, (5) anticipated or actual inventory increases based on increased procurement or repair lead times, and (6) anticipated or actual increases in inventory based on stock fund procurement to support future sales which do not result in increased stock fund levels and will not be replaced when sold.

b. Inventory Augmentation. Inventory augmentation obligations include peacetime inventory augmentation requirements for the acquisition or repair of stock funded material to support increases in inventory held by the stock fund for force modernization, modifications, or readiness and sustainability initiatives.

(1) Force Modernization Inventory Increases. This category includes all acquisition or repair

of stock funded material initial provisioning requirements, including the establishment of initial levels of stockage at all echelons of inventory held by the stock fund. This includes any initial stockage related to the introduction of a new end item, weapon system, assembly, or items of supply or to support the introduction of additional units of end items above current force levels. Examples include: initial and follow-on outfitting, site activations, allowances, initial system stocks, initial stocks of insurance or numeric stockage objective requirements, and initial operating stockage.

(2) Modification Support Inventory Increases. This category includes all acquisition or repair to provide increases in inventory held by the stock fund in support of programmed modifications of end items, weapon systems, assemblies or items of supply.

(3) Readiness and Sustainability Initiatives Inventory Increases. This category includes acquisition or repair of stock funded material to increase current levels at any echelon of inventory held by the stock fund for the purpose of increasing material readiness or sustainability, such as increased material stockage planned to improve approved, identifiable and quantifiable readiness indicators such as stock availability, operational availability, backorder rates, mission capable rates, and casualty reports. Examples include: increased safety levels to improve readiness indicators, increases in range/depth or approved numeric stockage objectives, insurance items or other additive stockage, increases in special project stockage, or the implementation phase of stockage policy changes which result in inventory increases.

c. Mobilization. Mobilization (war reserves) obligations are required to support approved force mobilization objectives. The approved force mobilization objective is the quantity required, in addition to peacetime assets normally available on any given date, to equip and support the approved force structure for mobilization.

★3. COMMODITY BUDGET PROJECTS AND MATERIAL CATEGORIES. The major material categories as denoted by budget projects are as follows:

14	Shipboard Consumables
15	Forms and Printed Matter
21	Ships'/Commissary Store Stock
23	Ships' Overhaul Material
25	Special Clearance Account
28	Retail Repair Parts and Supplies
34	Aviation Consumables
38	Retail Bulk Fuel
54	Amphibious Supplies
81	Shipboard Depot Level Repairables
85	Aviation Depot Level Repairables

★074602 ADMINISTRATION

1. APPORTIONMENT. The Department of the Navy Stock Fund (DONSF) is subject to the annual apportionment process described in par. 073100. Annual apportionment requests are prepared by the Naval Supply Systems Command (NAVSUP) and the Marine Corps Deputy Chief of Staff for Installations and Logistics (DC/S I&L) and submitted for review to the Chief of Naval Operations, the Comptroller of the Navy, and the Office of the Secretary of Defense for transmittal to the Office of Management and Budget (OMB). Based on OSD/OMB analysis and prospective Congressional appropriation action, funds are either released for execution or placed in a deferred status.

2. ALLOCATION. Allocations within the amount apportioned by OMB are approved by OSD, the Comptroller of the Navy and CNO and passed to NAVSUP and the DC/S I&L Marine Corps for administration. NAVSUP and DC/S I&L suballocate funds to project managers, inventory control points, and base commanders involved in the DONSF system.

3. EXECUTION

a. Accounting and Reporting. The accounting and reporting system is designed to provide administrative control for annual apportionments and suballocations and to relate transactions to budget projects. Unobligated balances of fund authorizations are withdrawn after 30 September of each fiscal year.

b. Cash Management. Stock fund cash balances are dependent upon obligations liquidated (expenditures) versus reimbursements from customers and direct appropriations provided. Stock fund managers must continually analyze cash projections and stock fund operations since it is mandatory to maintain a positive cash balance. Additionally, it is DOD policy to maintain the cash self-sufficiency of each stock fund. Congressional approval is required for cash transfers from one DOD stock fund to another, with the express objectives of requiring replenishment inventory to revolve based on sales to customers and funding inventory augmentation and mobilization requirements by direct appropriations to the stock fund. The standard price of wholesale managed items is based on the replacement cost plus a surcharge to compensate for all authorized expenses and normal operating losses. Elements of the surcharge include: transportation, inventory losses (pilferage, shrinkage, damage, etc.), obsolescence, POS inventory maintenance, and price stabilization. Stock fund managers must ensure adequate pricing of items sold to customers, including a sufficient surcharge, to preclude cash drains.

Section II: INDUSTRIAL FUNDS

074620 SCOPE

As authorized by 10 U.S.C. 2208 and the current issuance of DODDIR 7410.4, the Department of the Navy operates two separate industrial funds: the Navy Industrial Fund (NIF) and the Marine Corps Industrial Fund (MCIF). The NIF with 50 activities is organized into several Activity Groups, each containing similar types of activities such as shipyards or aircraft maintenance facilities. The MCIF includes the industrial operations of the Marine Corps Logistic Bases, Barstow, CA and Albany, GA. Industrial funds finance the production of goods and services at industrial and commercial type activities on a reimbursable basis (see Volume 5). Work is authorized by orders citing customers' appropriations or funds. Costs are initially financed by the industrial fund's working capital and, subsequently, billed to customers' appropriations or funds.

074621 STRUCTURE AND CONTENT

1. NAVAL SHIPYARDS. Naval shipyards perform the following functions: design, construction, conversion, alteration, overhaul, drydocking, repair, activation, inactivation, and outfitting of ships, including structural parts and equipment.

2. NAVAL AIR REWORK FACILITIES. Naval Air Rework Facilities perform the following functions: rework, overhaul, conversion, maintenance, modification, and repair of aircraft, guided missiles, target drones, engines, accessories, and components.

3. NAVAL ORDNANCE FACILITIES. Ordnance and weapons facilities perform the following functions: inspect, test, store, disassemble, assemble, issue, convert, alter, overhaul, and repair ordnance items, components, and spare parts.

4. PUBLIC WORKS CENTERS. Public Works Centers perform the following functions: provide maintenance and inspections and operate facilities which provide services common to activities and which are not within the reasonable scope of the mission of an activity, e.g., utility generating and distribution systems, transportation, and refuse collection and disposal.

5. MILITARY SEALIFT COMMAND. The Military Sealift Command (MCS) provides ocean transportation and other sealift services for all DOD agencies. MSC also provides services for other Government departments or instrumentalities and for private entities and other agencies as authorized by law.

6. NAVAL PUBLICATIONS AND PRINTING SERVICE. The Naval Publications and Printing Service provides printing and related services or products.

7. NAVAL DATA AUTOMATION CENTERS. The Naval Data Automation Centers are included under the NIF effective 1 October 1983 and provide automated data processing (ADP) services and design, develop, and maintain Navy sponsored automated systems.

★8. RESEARCH GROUP. The Research Group includes the Research and Development Centers, the Naval Air Laboratories, the Naval Civil Engineering Laboratory, and the Naval Research Laboratory. These research activities perform the following functions:

1. conduct research, warfare analysis, feasibility studies, development, design, engineering, testing and evaluation relating to naval vessels, aircraft, weapons, and their components;
2. support the fleet in the introduction of new ships, aircraft, weapons, and their components by providing instructions, engineering support, evaluation, and consultative services.

9. OTHER SUPPORT ACTIVITIES. The Naval Avionics Center (NAC) and the Naval Air Engineering Center (NAEC) perform aviation support functions including research, test and evaluation, and engineering. These activities are each independent Activity Groups.

10. MARINE CORPS INDUSTRIAL OPERATIONS. The Marine Corps Logistics Bases provide overhaul and repair for vehicles, tanks, and other types of equipment.

074622 ADMINISTRATION

★1. GENERAL. Industrial funds provide a revolving type of working capital for each activity. Funds expended for labor, material, and overhead are replenished by receipts from periodic billings to customers. Because of significant inflation in recent years, rate stabilization was adopted to allow customers to execute their approved program based on the industrial fund rates approved during the budget review. Each Activity Group combines the total actual yearly accumulated operating results for all its activities and factors this total gain or loss, called the payback factor, into the next annual budget to produce a new rate with the goal of breaking even (no profit and no loss). [Detailed guidance on the rate stabilization program for industrial fund activities is contained in Volume 5.] Budgeting for industrial fund activities is separate from, but related to, appropriation budgeting. For instance, because the industrial fund executes customer programs which are financed with appropriated funds, reductions to customer appropriation budgets will result in reductions to industrial fund budgets. Industrial fund budgets reflect anticipated spending of appropriated funds and contribute to the support of appropriation budgets. The industrial fund budget is a commercial-type budget indicating the assets, liabilities, and total Government investment in the fund. The format is designed to permit reviewing authorities to examine the investment of the Government in inventories, the cash balance in regard to the requirement for such cash, estimates of program magnitude, operating problems, and inventory utilization.

2. BUDGETS. There are three types of budgets prepared by industrial fund activities: the Annual A-11 Budget, the Capital Investment Budget, and the activity Operating Budget.

a. Annual A-11 Budget. In accordance with Office of Management and Budget Circular No. A-11, as supplemented, an annual budget is prepared and submitted for all industrial fund activities. The Comptroller of the Navy, who is responsible for coordinating, consolidating, and reviewing NIF and MCIF budgets, issues a budget call to the MCIF and NIF Activity Group Managers. The call sets forth the guidance, format, content, and due dates for submission of budget data. The narrative data, statements, and schedules which comprise the annual A-11 budget submission may be prepared by the activity or Activity Group Manager. NIF A-11 budgets are combined as one budget for each Activity Group.

b. Capital Investment Budget. The capital investment budget called the Asset Capitalization Program (ACP) is submitted with the A-11 budget and provides for investments in capital equipment, minor construction, and management systems, and it summarizes related depreciation. This budget relates to the activity and Activity Group Comprehensive 5-Year Capital Equipment Funding Plan which us updated annually. The capital investments in this budget are financed through a portion of the revenue shown in the A-11 budget. Additional details are provided in par. 074623.

c. Operating Budgets. Operating budgets prepared in detail at the activity level provide cost center information to management which is used in preparation of the A-11 budgets. Operating budgets are prepared based on the accounting system established for the individual activity. They provide a basis for the control of costs of labor, material, and services by department, function, and end-product or service. These commercial-type operating budgets are used to forecast operating costs and financial condition, provide a standard for measuring cost of performance, analyze variances, and communicate financial information within the activity.

★3. REPORTING SYSTEMS. The Navy Industrial Fund Reporting System (NIFRS) is the official computerized budgeting and accounting system for the Navy Industrial Fund. Activities submit data by NIFRS for A-11 budgets, quarterly operating budgets, periodic budget estimates, and the Summary Sources of Revenue (SSR). Monthly activity actual accounting data is also submitted by NIFRS. NIFRS produces monthly financial reports including balance sheets, income statements, and labor-man-year data which is provided to Activity Group Managers and the Comptroller for review. NIFRS computerized data from activity budget submissions is reviewed and approved by the Activity Group Managers. This Activity Group-approved-and-consolidated, NIFRS-computerized budget, built at the activity level, is combined with the Activity Group printed narrative descriptive summary book to become the official Activity Group budget submission to the Comptroller. Detailed guidance on NIFRS is contained in Volume 5. The Marine Corps Industrial Fund budget and accounting statements for the two MCIF activities are submitted in manual format in accordance with the Comptroller's budget call.

4. BUDGET REVIEWS. Activity Group Managers review both the activity and Activity Group budget submissions for compliance with the budget call and other directives to ensure that the Activity Group budget is an accurate reflection of the financial condition and the results of operations. As with appropriation budgets, NIF and MCIF budgets are reviewed and adjusted by the Comptroller and jointly by the Office of the Secretary of Defense and the Office of Management and Budget prior to submission to the Congress as part of the President's Budget. Budget reviews cover topics such as:

1. the cost and sales forecast, including relationship to customers' budget programs;
2. working capital and cash requirements;
3. proposed rates and prices;
4. management and budgetary review and controls;
5. financial and accounting policies;
6. capital investments and related depreciation.

★074623 INDUSTRIAL FUND COSTS

1. GENERAL. Industrial fund costs are either expensed or capitalized. Costs such as labor, material, supplies, contractual services, other operating expenses, and overhead which support industrial fund operations are expensed. The cost of equipment with a unit cost of under $5,000 or

a useful life of 2 years or less is expensed. Costs of investments such as capital equipment are capitalized and depreciated. For detailed guidance on accounting for industrial fund expenses, see Volume 5.

2. PROPERTY. Costs associated with property are either expensed or capitalized as investments depending upon the type of property, the amount of the cost, and the purpose and useful life of the improvement to property. Knowing the type of property involved is essential to determining the proper funding source and classification of costs. As used in this Section, definitions of property follow:

Property—Unimproved real property is undeveloped, raw land. Improved real property is land with improvements such as buildings (including installed equipment), structures, fences, utilities, parking lots, and seawalls.

Personal Property—Property other than real property consisting of movable and temporary things such as furniture and industrial equipment.

Installed Equipment—Equipment and other items so attached to real property as legally to become part of the real property; e.g., built-in equipment such as sinks, light fixtures, and air conditioning equipment.

Collateral Equipment—The first provision of personal property generated by a real property construction project.

Capital Equipment—Equipment with a unit cost of $5,000 or more and a useful life of more than 2 years.

Minor Property—Personal property having a unit cost of less than $5,000.

3. CAPITAL INVESTMENTS

a. General. The acquisition of investments in support of industrial fund operations are financed in the Asset Capitalization Program (ACP) with industrial fund revenues and shall be capitalized and depreciated. The ACP includes capital equipment, minor construction, and management systems development.

(1) Capital Equipment. Only the unit purchase price is to be used to determine if an item meets the $5,000 criterion and should be included in the Capital Investment Budget. The total acquisition cost is to be used for accounting purposes to determine the basis for depreciation. Unit acquisition costs includes all costs necessary to place the item in use (e.g., purchase price, transportation, installation, testing, and calibration).

(2) Minor Construction. Minor real property construction projects not to exceed $200,000 shall be included in the program. Construction is the erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; the acquisition of a facility; or the relocation of a facility from one installation to another. Construction is distinguished from maintenance and repair in that maintenance and repair has the effect merely of keeping the facility in its customary state of operating efficiency without the expectation of added future benefits. Construction includes installed equipment which is made part of the facility, and related site preparation, excavation, filling, landscaping, and other land improvements. The design of construction projects, including engineering, plans and specifications, and land appraisals to develop the most economical engineering solution for facility requirements are to be excluded from the construction project cost estimate when considering the $200,000 project cost limitation. Once the construction project is complete, these costs will be added to determine the basis for depreciation.

(3) Management Systems Development. This is effort which will result in a new or changed managerial process whch has only incidental benefit to an industrial fund activity's products or services. Financing requirements for preliminary efforts such as planning, exploration, or research, prior to final approval of a development project, shall be obtained from the general operating requirements of the industrial fund activity. Development of management systems software which exceeds $100,000 and has a useful life of more than 2 years is included in the program.

b. Capital Equipment. Capital equipment including collateral equipment shall be financed with industrial fund revenues except for the following exclusions:

1. purchase of ships for the Military Sealift Command;
2. equipment procured and installed that is funded by the Military Construction, Navy appropriation;
3. equipment to meet mobilization requirements when no or limited peacetime application exists;
4. equipment initially procured and furnished as part of a weapon system/support system when funded by the weapon system manager;
5. equipment normally provided as Government Furnished Equipment (GFE);
6. the purchase of aircraft, ships, barges, and general purpose passenger vehicles;
7. Major Range and Test Facilities Base equipment;
8. equipment for tenant activities, military support functions, and other activities as may be designated by the Assistant Secretary of Defense (Comptroller) (ASD(C)), even though such activities/functions utilize industrial fund financial systems;
9. equipment procured for the Planning and Engineering for Repairs and Alterations (PERA) activities;
10. other exclusions as may be approved by the ASD(C).

c. Minor Construction. Minor real property construction projects not to exceed $200,000 are financed from industrial revenues except for the following exclusions:

1. minor construction projects to meet mobilization requirements when no or limited peacetime application exists;
2. Major Range and Test Facilities Base projects;
3. minor construction projects for tenant activities, military support functions, and other activities as may be designated by the ASD(C) even though such activities/functions utilize the industrial fund financial systems;
4. other exclusions as may be approved by the ASD(C).

★d. Management Systems Development. Federal Government Accounting Pamphlet Number 4, Chapter 1, Section 4 recommends the separation of software and hardware costs primarily due to different life expectancies and work requirements. Hardware is acquired and accounted for as a capital investment subject to depreciation in accordance with the requirements relative to equipment. Management systems (software) development efforts are financed with industrial fund revenues. If the cost of the software exceeds $100,000 and has a life usage of more than 2 years, the costs are capitalized and depreciated. The development of an automated management system or any module thereof that is self-operated is considered a tangible asset. Implementation costs are included as part of the capitalization of the asset. A software tangible asset that does not exceed $100,000 of costs or does not have a life usage of more than 2 years is expensed. Management systems development should include all costs of developing, improving, and implementing management systems from the time the system or improvement is approved for development. Costs should include in-house effort at the industrial fund activity, contractual services, and services obtained from other Government activities, e.g., central design agents, whether they are industrially funded or funded by direct appropriation.

e. Accountability. Documentation on capital investment purchases shall be maintained at the activity level. Depreciation shall be recorded at the activity at which the investment is actually used. The Comptroller establishes dollar thresholds for the approval of capital investments at the activity and Activity Group level. Capital investment funding procedures to include justification and economic analyses, must be adequately documented at the activity level to ensure that post-investment appraisal and audit can be performed.

★f. Budget Submission and Execution. Each Activity Group Manager develops and submits a separate Capital Investment Budget to accompany the annual A-11 budget. This budget presents a proposed investment acquisition and funding plan for the budget year which is divided by type of investment (equipment, minor construction, management systems development) into obligations and outlays (expenses). The approved obligation total becomes a control; the approved outlay total becomes a target. The target outlays effect cash flow for the budget and outyears and must be considered in developing the stablized rates. The Comptroller's budget call provides specific Activity Group guidance. Standing guidance follows:

1. all capital equipment and minor property items costing $1,000 or more will be included in the ACP budget submission, however, the annual obligation limitation imposed on the ACP for capital equipment purchases will apply only to those items costing more than $5,000;
2. equipment that is centrally managed and procured by an inventory manager (e.g., material handling equipment, locomotives, etc.) will continue to be centrally procured, but financed by the industrial fund, within current procurement guidelines. Management of these assets at industrial fund activities will be decentralized to the Activity Group level;
3. within the approved equipment budget amounts, authority to determine specific equipment purchases is encouraged to be retained at the activity level. Approval of equipment purchases is to be no higher than one echelon above the activity level. However, the Comptroller requires separate budget identification of individual equipment items costing $1,000,000 or more. Separate budget identification and justification is also required for any equipment which is primarily intended to increase either capacity or capability at an activity and will require specific approval by ASD(C);
4. funding levels are approved for each type of capital investment, i.e., equipment, minor construction, and management systems. Funds shall not be reprogrammed without the specific approval of the Comptroller;
5. Activity Group Managers will maintain a Comprehensive 5-Year Capital Equipment Funding Plan which will be updated annually. The capital equipment portion of the Capital Investment Budget will be based upon this plan;
6. industrial funds are required to comply with all congressional, Office of Management and Budget, Department of Defense, and other requirements relative to the management and approval process for the purchase of equipment, as well as other restrictions relative to purchases of equipment.

4. MAINTENANCE AND REPAIR OF PROPERTY. Maintenance and repair costs are normally considered operational costs and will be expensed. There are exceptions to this policy.

a. Maintenance and Repair of Real Property. The costs of all real property maintenance and repair projects in support of industrial fund operations will be charged to industrial fund costs of operations and recovered through stabilized rates regardless of the amount of such costs. Excluded from this policy are repairs costing over $200,000 involving extensive damage caused by catastrophe or acts of God (which shall be financed from appropriated funds made available for this purpose). See par. 075154 for funding responsibilities applicable to repair/restoration projects necessitated by disasters and emergencies.

b. Maintenance, Repair and Alteration of Equipment and Management Systems. Normally, maintenance, repair and alterations do not extend the life expectancy of equipment or management systems but maintain them in operational condition. These costs for equipment or management systems utilized by industrial fund activities including contributed equipment will be funded by the industrial fund. This includes maintenance of management systems whether performed by the industrial fund activity or a central design agent. Costs will be expensed regardless of the amount if the effort is not expected to extend the useful life. If expensing would distort the current year operating results, the costs may be recorded as a deferred charge and the costs amortized over a sufficient period to minimize distortion or over the benefitting period whichever occurs earlier. However, the amortization method must have been used in the annual A-11 budget submission. If equipment maintenance, repair or alteration costs $1,000 or more and will extend the useful life in excess of 2 years, the costs will be capitalized and the depreciation schedule will be revised accordingly. In this case, equipment maintenance and repair is normally referred to as rehabilitation. Maintenance, repair and alteration costs on equipment provided as Government Furnished Equipment (GFE) by a weapon system manager may be financed by funds provided by the manager and performed on a reimbursable basis providing the weapon system manager agrees to finance the costs.

5. OTHER SUPPORT

a. Military Sealift Command (MSC) Ships. Ship investment for MSC is addressed in par. 075373. Equipment, installation and related ship alterations for ships assigned to MSC will be funded as follows:

1. costs of these items when required by law or for reliability of sealift service for functions assigned will be financed as an industrial fund cost to be recovered through MSC rates. Both equipment which will be physically incorporated into the ship and that which will be included in the ship's allowance list are considered an intrinsic part of the ship. Therefore, costs will normally be expensed in accordance with the guidance contained in subpar. 4. Equipment which is not installed in the ship nor part of the allowance list is considered an individual item. Examples are containers and reefers used to transport, stage, and store cargo which are loaded aboard and discharged from the ship. These items are either expensed or capitalized in accordance with the guidance contained in subpar. 3;
2. costs of procurement and installation of specialized equipment required in the performance of specific customer missions are the funding responsibility of the customer;
3. costs of procurement, installation, and related ship alterations required in support of military characteristics for naval operations are the funding responsibility of the Navy appropriation which normally funds these costs for Navy ships.

b. Training and Educational Requirements for Personnel at Industrial Fund Activities. Training costs for both military and civilian personnel assigned to industrial fund activities are chargeable to the industrial fund provided that the training is "job related' and serves a DON purpose. Conversely, when training is not specifically job related, e.g., educational endeavors for personal reasons and/or for general military purposes, such training is funded by either military support allotment of the industrial fund activity or by centrally managed DON programs. For military personnel, for example, support of off-duty educational endeavors is provided by the Tuition Assistance Program. Civilian personnel are eligible to apply for a variety of centrally funded educational programs (see par. 075147).

c. Specialized Equipment and Assets

(1) Specialized Equipment—Customer Owned. Equipment, and related costs of maintenance, repair, alteration, modification, and rehabilitation, which are unique to a particular one-time customer order may be purchased by the industrial fund and charged directly to that customer order, rather than be capitalized and depreciated. An industrial fund may be used to initially finance an asset acquisition or modification that must be financed from customer funds, provided the customer order is directly charged and the appropriation or fund cited in the order is appropriate for this purpose. Such assets or asset modifications are the property of the customer and shall be disposed of in accordance with the customer's instructions. If the customer abandons the item or otherwise contributes it to the industrial fund activity, the Defense Industrial Plant Equipment Center or the Department of Defense Inventory Control Point (item manager) must be contacted for instructions.

(2) Specialized Equipment—Industrial Fund Owned. Equipment, and related costs of maintenance, repair, alteration, modification, and rehabilitation, which are unique to particular but recurring customer orders may be purchased by the

industrial fund. When considered significant by the Activity Group Manager, these costs will be either expensed or capitalized and depreciated, as appropriate, as a direct or indirect charge against the program on which it is used. Depreciation on a piece of equipment used exclusively on a particular weapon system or program will be charged only to those customer orders.

d. Other Support of Industrial Funded Activities. Certain costs related to the operation of an industrial funded (IF) activity are not chargeable to the IF cost of operations. They are the budget responsibility of the Activity Group Manager or the superior in the chain-of-command and are funded from appropriations available for such costs. This includes capital investments excluded from the ACP, significant unutilized and underutilized plant capacity, and functions which are not part of the normal peacetime industrial-commercial productive effort, such as military support, designated common-service support provided to tenants or other activities, and contingency/mobilization planning.

Section III: OTHER FUNDS

074640 NAVY MANAGEMENT FUND

1. SCOPE. The Navy Management Fund was established to finance operations supported by two or more appropriations (10 U.S. Code 2209) (see par. 022084-3). The only account currently financed through this fund is Transportation of Things, Navy.

2. STRUCTURE AND CONTENT. The Transportation of Things account provides the means for financing and accounting for all transportation charges incurred in the issuance of Government bills of lading, services performed by the Military Sealift Command (MSC), the cost of all air charter operations, and other contractual or accessorial charges incident to transportation costs. This account is not charged for any administrative expense but is used exclusively to finance actual transportation costs. Commercial transportation costs include expenses incurred in transporting material by commercial carriers via rail, motor, air, inland waterways, and ocean media. The account includes but is not limited to the following categories of expense:

   1. the transportation costs of moving material procured on a free on board (FOB) origin basis to the first point of storage or use within the Department of the Navy, excluding transportation costs which are a part of a procurement contract;
   2. the transportation costs of excess material transferred with or without reimbursement from other military Services or Government departments;
   3. the cost of all intra-Navy redistributions (from one naval activity to another) of material directed by an office or command having designated inventory control responsibilities over a material category, including shipments directed by shore offices acting under the authority of the major support office or command;
   4. the transportation cost of household goods.

3. ADMINISTRATION. The Chief of Naval Operations has been designated as responsible office for the Navy Management Fund, with accompanying responsibilities as specified in par. 022200. This account is exempt from the apportionment process. Detailed accounting procedures are prescribed in Volume 3, Chapter 5, Part A, Section IX.

074641 LAUNDRY SERVICE, NAVAL ACADEMY

1. SCOPE. The Naval Academy laundry is operated under the authority of 10 U.S. Code 6971(b) which provides that "funds collected from the operation of the Academy laundry shall be accounted for as public funds and are available for the maintenance of necessary laundry service for Academy activities and personnel."

2. STRUCTURE AND CONTENT. The Laundry Service, Naval Academy (LSNA) fund is included in the President's budget as a revolving fund. The prices charged for laundry services include operating costs. Investment items are procured from applicable investment appropriations.

3. ADMINISTRATION. Budget schedules are submitted annually on an accrual basis. An annual apportionment is required. Upon receipt of the approved apportionment, the Chief of Naval Operations grants an annual allotment to the Superintendent of the Naval Academy to incur obligations within the amount authorized. The funds authorized are based on estimated sales for the fiscal year.

074642 MIDSHIPMEN'S STORE, UNITED STATES NAVAL ACADEMY

1. SCOPE. The midshipmen's store, United States Naval Academy, is authorized by 10 U.S. Code 6971(a). It is operated to procure clothing and other necessary supplies for the midshipmen; to provide barber, cobbler, and tailor shop facilities for the midshipmen; and to operate the dairy farm at the Navy Academy. Funds collected from these operations are available for operating expenses of such activities and for such other expenditures as the Superintendent of the Naval Academy considers ncesessary for the health, comfort, and education of the midshipmen.

2. STRUCTURE AND CONTENT. The midshipmen's store is classified as a trust revolving fund. All funds collected are deposited in the Treasury and are available for operating expenses and other expenditures.

3. ADMINISTRATION. The Chief of Naval Operations is responsible for the development of budget estimates and the financial administration of the Midshipmen's Store, United States Naval Academy. Although this fund is exempt from the apportionment process, appropriate records and receipts are maintained for all money received.

★ PART H: OTHER ACCOUNTS

Section I: TRUST FUNDS

074700 TRUST FUNDS

1. DEFINITION. A trust fund is a fund which, established by legislative or administrative action for specific purposes, may be used only in accordance with the terms of the trust (see par. 022016-2). Guidance with respect to acceptance and administration of gifts is provided in the current issuance of SECNAVINST 4001.2.

2. GENERAL SCOPE

a. Deposit of Gifts of Money Prior to Formal Acceptance or Rejection. All money gifts received under 10 U.S. Code 2601, 6973, 6974, or 7222 prior to its formal acceptance or rejection by the Secretary of the Navy (or by the officer or official otherwise authorized to accept) will be deposited in the deposit fund account "Budget Clearing Account (Suspense), Navy," pending formal acceptance or rejection. All money received under 10 U.S. Code 7220 prior to its formal acceptance or rejection will be deposited in the receipt account "Profits from Sale of Ships' Stores, Navy," pending formal acceptance or rejection.

b. Action Upon Acceptance or Rejection. In all instances of rejection, the money will be returned to the donor. If accepted, the gift will be deposited in the individual fund account as appropriate under the authority of the United States Codes listed in subpar. a.

3. DEPARTMENT OF THE NAVY GENERAL GIFT FUND

a. Scope. The Department of the Navy General Gift Fund is authorized by 10 U.S. Code 2601. Under the provisions of this statute, the Secretary of the Navy may accept, hold, administer, and spend any gift, devise, or bequest of real or personal property, made on the condition that it be used for the benefit, or in connection with the establishment, operation, or maintenance, of a school, hospital, library, museum, cemetary, or other institution under the jurisdiction of the Department of the Navy, unless within the purview of a more specific statute, e.g., the United States Naval Academy General Gift Fund (10 U.S. Code 6973).

b. Structure and Content. All gifts and bequests of money, and the proceeds of the sale of property, accepted under authority of 10 U.S. Code 2601 shall be deposited directly into the Department of the Navy General Gift Fund. Separate account designations have been established to distinguish between gifts received for the Navy and Marine Corps under the Department of the Navy General Gift Fund (see pars. 022201-4 and 022202-2). Disbursements of the deposited funds shall be strictly in accordance with the terms of the gift, devise, or bequest. Upon acceptance, an appropriate letter of acknowledgement shall be sent to the donor by the accepting official. In the case of a gift, devise, or bequest for the purchase of a specific item or items the letter of acknowledgement should indicate that it is possible that the gift, devise, or bequest will not exactly match the cost that the Department of the Navy will incur in securing the specific item or items, and that in such instances the residual funds will be applied to related items or activities.

c. Administration. The Comptroller is responsible for the development of budget estimate and the financial administration of the Department of the Navy General Gift Fund. Although the fund is exempt from the apportionment process, appropriation records and receipts are maintained for all money received. Appropriation type accounting records are utilized for the purpose of making funds available to the designated institution or organization in accordance with the terms of the gift, devise, or bequest. Regularly prescribed financial accounting procedures are observed in the accounting for and reporting of funds that are drawn from this account, and files should be maintained that support compliance with terms of the gift, devise, or bequest.

4. UNITED STATES NAVAL ACADEMY MUSEUM FUND

a. Scope and Content. The Secretary of the Navy, under authority of 10 U.S. Code 6974, may accept, hold, administer, and spend gifts and receive loans of personal property for the benefit of the Naval Academy Museum, its collection, or its services. Gifts or bequests of money for the benefit of the Naval Academy Museum are deposited in the Treasury in the trust fund, United States Naval Academy Museum Fund. The Chief of Naval Operations is responsible for budgeting, accounting, and reporting for this fund.

b. Administration. The United States Naval Academy Museum Fund is exempt from the apportionment process (see par. 065100-2). Funds are allocated to the Chief of Naval Operations in accordance with par. 061101-4d. The Chief of Naval Operations issues an Allotment/Suballotment Authorization (NAVCOMPT Form 372) to the Superintendent, United States Naval Academy for interest and contributions received. The Superintendent is authorized to expend the funds in accordance with the wishes of the donor, subject to the financial controls and responsibilities of pars. 032010 and 032011.

5. UNITED STATES NAVAL ACADEMY GENERAL GIFT FUND

a. Scope and Content. The Secretary of the Navy, under authority of 10 U.S. Code 6973, may accept, hold, administer, and spend gifts made on the condition that they be used for the benefit of, and for use in connection with, the United States Naval Academy. Gifts or bequests of money or the proceeds from the sale of property received as gifts for use in connection with the Naval Academy are deposited in the Treasury in the trust fund, United States Naval Academy General Gift Fund. The Chief of Naval Operations is responsible for budgeting, accounting, and reporting for this fund.

b. Administration. The United States Naval Academy General Gift Fund is exempt from the apportionment process (see par. 065100-2). Funds are allocated to the Chief of Naval Operations in accordance with par. 061101-4d. The Chief of Naval Operations issues a NAVCOMPT Form 372 to the Superintendent, United States Naval Academy for interest and contributions received. The Superintendent has the authority to expend the funds in accordance with the wishes of the donor subject to the financial controls and responsibilities of pars. 032010 and 032011.

6. OFFICE OF NAVAL RECORDS AND HISTORY FUND

a. Scope and Content. The Secretary of the Navy, under authority of 10 U.S. Code 7222, may accept, hold, and administer gifts of personal property for the benefit of the Naval History Division, its collection, and its services. The current issuance of SECNAVINST 4001.2 identifies who has authority to accept gifts which are acceptable under 10 U.S. Code 7222, and assigns the Chief of Naval Operations as the "responsible office" and the "administering office" for the trust fund, Office of the Naval Records and History Fund. The Director of Naval History manages the Office of Naval Records and History Fund for the Chief of Naval Operations.

b. Administration. The Office of Naval Records and History Fund includes gifts of money for the benefit of the Naval History Division, royalties received from sale of histories of United States naval operations, and funds received as interest on governmental securities held as assets under the fund. The allocation of amounts applicable to Office of Naval Records and History Fund is not subject to apportionment. The unobligated balance of the fund and future receipts appropriated are allocated by par. 061101-4d to the Chief of Naval Operations for use as authorized.

7. SHIPS' STORES PROFITS, NAVY

a. Scope and Content. Ships' Stores Profits, Navy is a trust fund carried on the books of the Treasury Department. Deposits to this fund are derived from profits realized through the operation of ships' stores and from the acceptance of gifts authorized by 10 U.S Code 7220 for the purpose of providing recreation, amusement, and contentment for enlisted members of the Navy and the Marine Corps. The current issuance of SECNAVINST 4001.2 outlines responsibilities and procedures for the acceptance of gifts for the Navy and the Marine Corps pursuant to 10 U.S. Code 7220. The Naval Supply Systems Command (NAVSUP) directive system describes in detail the process of accrual and disposition of profits derived from the operation of ships' stores (see Ship's Store Afloat (NAVSUP P-487)).

b. Administration. NAVSUP is designated the "responsible office" for overall coordination of the

Ships' Stores Profits, Navy account. Additionally, NAVSUP is the "administering office" for the Navy portion of this account consisting of operating profits and contributions made for the benefit of enlisted members of the Navy. The Marine Corps portion of Ships' Stores Profits, Navy will be administered directly by the Marine Corps and is to be used for the acceptance and use of gifts to Marine Corps activities under 10 U.S. Code 7220. Separate account designations established to distinguish between gifts received for the Navy and the Marine Corps are reflected in pars. 022201-4 and 022202-2. The centrally managed allotment procedure is employed in the administration of this account (see par. 023304-6).

8. SURCHARGE COLLECTIONS, SALES OF COMMISSARY STORES, NAVY AND MARINE CORPS

★a. Scope and Content. Separate trust revolving fund accounts have been established by the Treasury Department for the Navy and Marine Corps commissary surcharge collections. Deposits to the trust funds are derived from profits resulting from surcharges on commissary store sales, for which transactions are initially reflected in the Navy Stock Fund as authorized by Section 628, P.L. 82-179 (65 Stat. 449) and 10 U.S.C. 2685 as amended in the FY 1978 MILCON Authorization Act. The funds are required to be used for obligations and disbursements for the following purposes:

1. costs such as purchase and maintenance of operating equipment, supplies, utilities (except at commissary stores outside the continental United States and in Alaska), and shrinkage, spoilage, and pilferage of merchandise under the control of commissary stores;
★2. costs to acquire, construct, convert, expand, install, or otherwise improve commissary store facilities at defense installations and for related environmental evaluation and construction costs, including surveys, administration, overhead, planning, and design.

The trust funds are funded; i.e., cash is provided for program execution by the transfer of commissary store profits. The surcharge on commissary store sales is credited monthly, by use of Cash Collection Voucher (DD Form 1131), from the applicable stock fund to the appropriate trust fund. A Requisition and Invoice/Shipping Document (DD Form 1149) will be prepared by the commissary stores to support the cash deposits turned in by the disbursing officer. Quarterly, an adjusting DD Form 1131 is prepared by the Navy Resale Systems Office (NAVRESO) and Headquarters, U.S. Marine Corps to transfer to the appropriate trust fund account the difference between the total actual gross margin on commissary store financial statements and those surcharge amounts credited monthly to the accounts by individual commissary stores.

b. Administration. The Chief of Naval Operations is designated as Responsible Office in the Navy for overall coordination of matters related to the commissary surcharge collections trust account. The Naval Supply Systems Command is designated as Administering Office. Funding authority may be delegated to NAVRESO. For the Marine Corps, the Commandant of the Marine Corps (CMC) is designated as Responsible Office and Administering Office. Budget submissions, which reflect estimated obligations for operations and investments and estimated revenues from commissary surcharge collections, are submitted to the Comptroller by CMC and by NAVRESO through command channels. Approved operations plans for program execution are issued by the Comptroller by means of a Program/Fund Allocation (NAVCOMPT Form 2058), with the proviso that program execution is dependent upon availability of cash resources. NAVSUP is authorized, with the approval of higher authority, to execute its commissary surcharge related program utilizing centrally managed allotment procedures (see par. 023304-6). The Marine Corps executes its commissary surcharge-related program under closed allotment procedures.

Section II: SPECIAL ACCOUNTS

074720 RETIRED PAY, DEFENSE, NAVY PORTION

1. SCOPE. The appropriation Retired Pay, Defense, provides funds for retired pay and retirement pay, as authorized by law, for all Army, Navy, Marine Corps, and Air Force military personnel on the retired lists, including the **Reserve** components thereof, retainer pay for personnel of the inactive Fleet Reserve, and survivors' benefits payments under Chapter 73 of 10 U.S. Code.

2. STRUCTURE AND CONTENT

a. General. The chart of accounts for the allocation "Retired Pay, Defense" is in terms of budget and fiscal accounting classifications for uniform application by the military departments in accomplishing the required budgeting, accounting, and reporting. Budget activities within the budget program are listed and described in subpars. b through f.

b. Nondisability. The nondisability budget activity provides for the retirement pay of officers and enlisted personnel, regular and nonregular, who have qualified for such pay under applicable provisions of law covering nondisability retirement. The basis for retirement are:

1. voluntarily on or after completion of the required length of service,
2. involuntarily because of attainment of statutory age or completion of the maximum length of service authorized by law for the several grades,
3. automatically upon completion of 30 years of combined active service and service in the Fleet Reserve.

c. Temporary Disability. The Temporary Disability budget activity provides for the retirement pay of disabled Navy personnel, regular and nonregular officers and enlisted, placed on the temporary disability rolls in accordance with the provisions of Chapter 61 of 10 U.S. Code. Persons on temporary disability rolls are given periodic physical examinations at least once every 18 months and may be:

1. restored to active duty,
2. separated from the Service with severance pay,
3. transferred to permanent disability retired list,
4. continued on temporary list.

Final determination is required within 5 years of initial classification and temporary disability retirement.

d. Permanent Disability. The Permanent Disability budget activity provides for the retired pay of Navy personnel, regular and nonregular officers and enlisted, entitled to such pay as a result of permanent physical disability. Personnel are placed on the permanent disability rolls when there is no doubt as to the degree of permanency of the disability at time of initial retirement, and by periodic examination of temporary disability and Fleet Reserve rolls, it is determined that permanent disability exists.

e. Fleet Reserve. The Fleet Reserve budget activity provides retainer pay for inactive enlisted members of the Fleet Reserve as prescribed by 10 U.S. Code 6330 and 6331. Title 10 U.S. Code 6330 authorizes enlisted naval reservists on active duty to transfer to the Fleet Reserve on the same basis as members of the regular Navy. Retainer pay for Fleet Reservists is fixed by law. Personnel remain in the Fleet Reserve until their status is changed by reason of:

1. completion of 30 years of service,
2. transfer to disability retired rolls as the result of lack of physical fitness,
3. recall to active duty,
4. death.

f. Survivors' Benefits. The Survivors' Benefits budget activity covers payment of annuities to survivors of retired personnel who elected a reduction in retired pay in order to provide one or more annuities to their survivors as specified in the Survivor Benefit Plan (SBP) (Chapter 73 of 10 U.S. Code). The basic options include the choice of annuities to provide for:

1. surviving spouse only,
2. surviving children only,

3. surviving spouse and children,
4. persons designated to have an insurable interest.

★3. ADMINISTRATION. The apportionment request for the Navy portion of Retired Pay, Defense, is prepared by the Chief of Naval Operations (CNO) (Fiscal Management Division), which is designated as the administering office. The Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB) conduct an informal apportionment hearing. Upon approval of OMB, OSD allocates the apportioned funds to the Comptroller, who then further allocates to CNO by means of a Program/Fund Allocation (NAVCOMPT Form 2058). The appropriation is not controlled by quarters or activities. The CNO administers the program costs of the appropriation by an Intra-Bureau Classification Account. The Navy Finance Center, Cleveland, is the only activity authorized to charge against the appropriation. Funding responsibilities are subject to the provisions of 31 U.S. Code 1517 (see Volume 2, Appendix A, and pars. 032010 and 032011). Monthly obligations are prepared on activity and subactivity basis derived from reports received from the Navy Finance Center, Cleveland, which provide the number of retirees paid each month, gains and losses by type of action for each retirement category, and expenditures. Obligations and the number of retirees for the remainder of the fiscal year are projected monthly as a part of the obligation report.

074721 RETIRED PAY, DEFENSE, MARINE CORPS PORTION

1. SCOPE. The scope, structure, and content of the Marine Corps portion of the Retired Pay, Defense, appropriation is the same as that described in par. 074720-1 and 2.

2. ADMINISTRATION. The apportionment request for the Marine Corps portion of Retired Pay, Defense, is prepared by the Fiscal Division of the Marine Corps. Upon receipt of the Program/Fund Allocations (NAVCOMPT Form 2058) allocating funds to the Marine Corps, the Fiscal Director of the Marine Corps advises the Commanding Officer of the Marine Corps Finance Center of the amount of the allocation received and authorizes payment against the Retired Pay appropriation. The administrative control of the appropriation regulations is retained by the Fiscal Director of the Marine Corps.

074722 CLAIMS, DEFENSE

1. SCOPE. The Claims, Defense appropriation provides for the payment of all noncontractual claims which are authorized by law to be paid by the Department of Defense (DOD).

2. STRUCTURE AND CONTENT

a. General. The appropriation, and the Navy allocation thereunder, are composed of the four budget activities described in subpars. b through e.

b. Personnel Claims

(1) Private Property Losses. Payment of claims for personal property lost or damaged incident to military service is made under the authority of the Military Personnel and Civilian Employees' Claims Act of 1964, as amended (31 U.S. Code 240-243). The maximum amount which may be paid for any loss or damage arising from a single incident is limited to $15,000. In general, written estimates of the cost of repair or of the replacement cost on any item is required when the amount claimed is more than $100, but this requirement may be waived by the adjudicating officer. Transportation claims involving liability of carriers and/or insurers may be filed concurrently with the claim without the claimant awaiting settlement from the carrier and/or insurer.

(2) Correction of Records. Payments for the correction of records are made under the authority of 10 U.S. Code 1552 for claims arising from the correction of military or naval records. In many instances the correction of records results in the creation of an entitlement to active duty pay and allowances and/or retired pay and other amounts for the claimant.

c. Tort Claims

(1) Federal Tort Claims. Payments are made under authority of the Federal Tort Claims Act of 1946 (28 U.S. Code 1346(b), 2671-2680) for damages to or loss of property, or on account of personal injury or death caused by the negligent or wrongful act or omission of military or civilian personnel of the Department of the Navy while acting within the scope of his employment under circumstances where the United States, if a private person, would be liable to the claimant for such claim in accordance with the laws of the place where the act or omission occurred. Payment of awards not exceeding $2,500 are paid from this account. Payment of awards in excess of $2,500 are obtained from the Claims Division, General Accounting Office. The regulations of the Attorney General for payment of Federal Tort Claims are cited in Section 2040-14.10 of the Manual of the Judge Advocate General.

(2) Foreign Claims. Foreign claims payments are made under authority of 10 U.S. Code 2734 to inhabitants of foreign countries for damage to or loss or destruction of private property or for personal injury or death, occurring outside the United States, and caused by the acts or omissions of military or civilian personnel of the Department of the Navy; and payments are made under authority of 10 U.S. Code 2734a, to reimburse foreign governments for a pro rata share of similar claims which are settled by such foreign governments pursuant to an international agreement.

(3) Military Claims. Military claims payments are made under authority of 10 U.S. Code 2733 for damage to or loss of real property, including damage or loss incident to use and occupancy; for damage to or loss of personal property, including property mailed to the United States and including registered or insured mail damaged. lost, or destroyed by a criminal act while in the possession of the Department of the Navy; and for personal injury or death. All of the foregoing claims are subject to the provision that such damage, loss, injury, or death either was caused by military or civilian personnel of the Department of the Navy or was incident to noncombat activities of the Department of the Navy.

(4) Advance Payments. An advance payment not exceeding $1,000 may be made under the authority of 10 U.S. Code 2736 when the requirements of JAG Manual, par. 2073, have been met. This payment may be made in advance of the submission of a claim and is limited to military claims under 10 U.S. Code 2733 and foreign claims under 10 U.S. Code 2734.

(5) Nonscope Claims. Title 10 U.S. Code 2737 provides for the Navy payment of claims, in an amount not more than $1,000, for damage to, or loss of, property, or personal injury or death, caused by Navy and Marine Corps personnel incident to the unauthorized use of a Government vehicle at any place, or any other property of the United States on a Government installation.

d. Admiralty Claims. Title 10 U.S. Code 7622, as amended, authorized the Secretary of the Navy to settle claims for damage caused by a vessel in the naval service or by other property under the jurisdiction of the Department of the Navy (DON) for damage caused by a maritime tort committed by an agent or employee of the DON, and for towage and salvage services rendered to a vessel in the naval service up to $1,000,000. Claims in excess of $1,000,000 may be settled upon certification of the claim to Congress. Some of these cases will be administratively settled; others may have to be litigated. Compromise settlements or judgments concluded by the Department of Justice in litigated admiralty cases are paid directly by the United States Treasury. Settlements negotiated by the Judge Advocate General (JAG) are paid out of this appropriation. Billings for survey services, in connection with admiralty claims, provided under contract with the U.S. Salvage Association, Inc., are also paid from this appropriation.

e. Miscellaneous Claims (Postal Service). Reimbursement to the United States Postal Service for losses of postal property attributed to Navy and Marine Corps postal clerks is pursuant to voluntary agreement between the Department of Defense and the United States Postal Service. Such agreement is authorized by 39 U.S. Code 411 (1970).

074723 WILDLIFE CONSERVATION, MILITARY RESERVATIONS, NAVY

1. SCOPE. Under provisions of 16 U.S. Code 670a, the Secretary of Defense is authorized to promote effectual planning, development, maintenance, and coordination of wildlife, fish, and game conservation in military reservations in accordance with a cooperative plan or agreement mutually agreed upon by the local representatives of the Secretary of Defense, the Fish and Wildlife Service of the Department of the Interior, and the appropriate State Conservation Agency. If agreeable to the signatories of the cooperative plan, the Navy or Marine Corps installation may issue special permits to individuals for hunting and fishing privileges and collect a nominal fee therefor. Proceeds from the sale of hunting and fishing permits are to be used to carry out a program of development, conservation, and enhancement of fish and wildlife on the installation where collected and for no other purpose.

2. STRUCTURE AND CONTENT. The budget activity Conservation of Game provides for the costs of planning, development, maintenance, and coordination of wildlife, fish, and game conservation, and rehabilitation in military reservations. Funds under this budget activity are generated from the sale of fishing and hunting permits at individual installations having cooperative agreements. Each year obligational authority is requested in order to cover the obligation of estimated collections. Included in this budget activity are programs at Navy and Marine Corps installations. The fees collected are spent on programs of aquatic weed control, trash fish control, seeding and fertilization, habitat improvement (food and cover plots), and stocking of fish and game.

3. ADMINISTRATION. In accordance with established budgetary procedures, the Naval Facilities Engineering Command (NAVFAC) submits an apportionment request to the Office of Management and Budget (OMB) via the Comptroller and the Office of the Secretary of the Comptroller, and the Office of the Secretary of Defense (OSD) on an Apportionment and Reapportionment Schedule (Obligation Basis) (DD Form 1105) based on anticipated collections for Navy and Marine Corps installations and unobligated collections. When approved by OMB, the DD Form 1105 is returned through OSD to the Comptroller, who forwards it, together with an approved Program/Fund Allocation (NavCompt Form 2058), stating all financial controls, jurisdiction, and legal limitations, to NAVFAC. Upon receipt of an approved apportionment, the Commander, NAVFAC, suballocates a portion of the approved budget activity allocation to the Commandant of the Marine Corps. Allotments are issued against the Navy portion of the authorization only to naval activities which have submitted a copy of their Cooprative Plan to NAVFAC, wherein it is specified that the fees are to be collected for the privilege of hunting and fishing on the named military reservation or activity. Each allotment issued by NAVFAC provides a description of purpose for the allotment, reflects a zero dollar amount, and contains the restriction that fees collected will be utilized for no other purpose than the protection, conservation, and management of fish and wildlife, and that obligations for the fiscal year shall not exceed the total amount available from collected fees.

074724 NONAPPROPRIATED FUNDS

1. SCOPE. The term "nonappropriated funds" includes the financial resources of all the official or quasi-official morale, welfare, and recreation organizations, certain resale activities, and other authorized organizations designated as morale support activities whose resources are normally generated from members' dues, sales, and profits from operations. Categories and types of these activities are listed in par. 075260.

2. OPERATIONS. Each of the major categories of morale, welfare, and recreation programs/activities operates under general policies promulgated by the Secretary of the Navy and implemented by the respective program managers, i.e., Chief of Naval Operations and the Commandant of the Marine Corps. The program manager is responsible for defining the procedures for generating revenue, for controlling costs of operations and for the proper use of the revenue by the morale support activties. Certain functions, such as clubs and exchanges, are centrally directed. Morale, welfare, and recreation activities that are organized at the local level may operate under policies established by the commanding

officer of the parent command. These activities are comprised of common interest groups and have no formal connection or affiliation with organizations outside of the installation. Appropriated funds support is authorized for certain costs of morale, welfare, and recreation activities. Budgeting and accounting for this support is a responsibility of the parent command. Areas in which support may be budgeted for are delineated in par. 075500.

★ 3. FINANCIAL MANAGEMENT. It is the policy of the Department of Defense (DOD) that available nonappropriated funds will be administered according to sound financial management practices in an economical, efficient, and business-like manner. The Department of the Navy (DON) is responsible for the management and utilization of all resources within its components. The Comptroller prescribes and implements policies and procedures, consistent with DOD policies, which will ensure efficient management. These policies are contained in the handbook, Nonappropriated Fund Financial Management Policies and Standards (NAVSO P-3520).

4. BUDGETS

a. General. Budgets are prepared to provide operating managers and commanders with financial data to be used in management decision-making. The organizational level reflected in the budgets is determined by program managers. Such budgets will show separately the total program by anticipated appropriated and nonappropriated resources. The budgetary process includes consideration of feasible alternatives when there are choices as to how program goals and objectives may be obtained. While budgets may be prepared in formats considered most appropriate by program managers, the types of budgets required are outlined in subpars. b, c, and d.

b. Operating Budgets. Operating budgets are prepared to project income and expense and to permit comparison and analysis of projected data with actual data.

c. Capital Budgets. Capital budgets are prepared to show the projections for acquisition, renovation, and expansion of fixed assets. The source of funding must be indicated.

d. Cash Budgets. Cash budgets are prepared to show the existing cash resources, anticipated cash receipts and disbursements, and to forecast cash balances on specified dates. Cash budgets must be in alignment with the operating and capital budgets.

5. FUNDING DELINEATIONS. Detailed guidance concerning appropriated fund support to morale support activities is contained in par. 075500.

★074725 NOT USED

074726 NORTH ATLANTIC TREATY ORGANIZATION INFRASTRUCTURE

1. SCOPE

a. General. This appropriation finances the U.S. share of the North Atlantic Treaty Organization (NATO) Infrastructure Program, which provides those minimum essential, dedicated wartime facilities required to support the deployment and operation of NATO military forces.

b. Appropriation Language. The Department of Defense Military Construction Act provides language for the NATO Infrastructure appropriation as follows:

> "For the United States share of the cost of multilateral programs for the acquisition or construction of military facilities and installations (including international military headquarters) for the collective defense of the North Atlantic Treaty Area as authorized in military construction Acts and section 2806 of title 10, United States Code, $________, to remain available until expended."

c. Limitations. The NATO Infrastructure appropriation is a continuing appropriation, based on authorized projects which may reasonably be expected to start during the budget year. The funds are appropriated annually and remain available without time limit until obligated and expended.

2. STRUCTURE AND CONTENT. Within the NATO Infrastructure appropriation, funds are provided for construction and procurement of equipment eligible for infrastructure funding, for use in NATO countries.

3. ADMINISTRATION. The NATO Infrastructure Program is composed of projects grouped into separate annual submissions by the major NATO commanders. These calendar year submissions are termed "slices" and are comparable to fiscal-year military construction programs. Construction costs associated with the program are financed collectively by member governments of NATO based on a cost-sharing formula agreed upon for each funding period of 5 years. The Assistant Secretary of Defense (Comptroller) has assigned the Department of the Army as executive agent with the responsibility for programming, budgeting, funding, accounting, and reporting of the United States share of the NATO Infrastructure Program.

4. SOURCE DOCUMENTS. Additional information is contained in par. 075242 and the current issuance of OPNAVINST 4000.35.

Section III: SECURITY ASSISTANCE

074740 SECURITY ASSISTANCE PROGRAM

1. SCOPE. The United States Security Assistance Program is predicated on a policy of providing military equipment and services to eligible foreign governments and international organizations through Grant Aid and Foreign Military Sales so that they may maintain their security (see pars. 032103, 064010, and 064011).

2. ADMINISTRATION. The Comptroller is responsible for Foreign Military Sales budgetary and fiscal matters and development of related policies and procedures and is the central point of contact regarding these matters with the Assistant Secretary of Defense (Comptroller), Defense Security Assistance Agency (DSAA) (Comptroller), and the Security Assistance Accounting Center (SAAC) (Comptroller). The Office of the Chief of Naval Operations has management responsibility for the Security Assistance Program (SAP). Within OPNAV, this responsibility has been assigned to the Deputy Chief of Naval Operations (DCNO) for Plans and Policy. However, the Fiscal Management Division is the OPNAV control point for pricing, estimating, accounting, earnings measurement, reimbursables, and the financial interface with the OSD (Comptroller) and DSAA (Comptroller) in FMS and Grant Aid matters. With respect to the Foreign Military Sales Program, sales transactions are recorded against the Advances, Foreign Military Sales Trust Account. With respect to the Grant Aid Program, the Military Assistance (MA) and International Military Education and Training (IMET) appropriations are appropriated to the President of the United States to provide Grant Aid to foreign countries. The MA and IMET (Transfers to Navy) funds are allocated to the Department of the Navy by the Defense Security Assistance Agency (DSAA) (see par. 022200-3a). The allocation is supported by incrementally approved program execution documents, i.e., funded Military Assistance Program (MAP) orders for various foreign countries. These MAP orders are simultaneously distributed for information and action, as necessary, to various OPNAV offices, the Military Assistance Advisory Groups, and the Navy international logistics control office.

074741 MILITARY ASSISTANCE (TRANSFERS TO NAVY)—ADMINISTRATION

1. FUNDING. The two basic types of funding under the appropriation Military Assistance (Transfers to Navy) (MA) are direct citation and contract authority. Budget submissions are under the following four limitation suffix symbols (see par. 064010-3b):

.001 MAP General Costs (less administrative expenses),
.002 MAP Country Programs,
.003 MAP Administrative Expenses,
.004 MAP Authorization under Section 506(a), Foreign Assistance Act of 1961 (unfunded MAP authority).

2. BUDGET ACTIVITIES. The MA appropriation includes the following budget activities:

1. material programs,
2. delivery programs,
3. reserve for Defense cooperation agreements,
4. general costs.

3. BUDGET PREPARATION

a. Administration and Supply Operations. Annual budget calls are issued for the administration and supply operations budget activities by the Comptroller, Defense Security Assistance Agency (DSAA), to the Assistant Secretary of the Navy (Financial Management) (ASN(FM)) in accordance with the Security Assistance Management Manual (SAMM), DOD 5105.38-M, Part II, Chapter G. The call is passed to the Chief of Naval Operations (CNO). The CNO implements the budget call to the Commandant of the Marine Corps, the Commander in Chief, Pacific (CINCPAC), and other command elements, as appropriate. The current issuance of OPNAVINST 4900.31 provides additional information to be used in budget preparation. The required formats with narrative justification, which are received from the various command elements, are reviewed for accuracy and compliance with budget guidance. The budgets are then summarized and assembled for submission to DSAA via the Comptroller. Budget reviews are conducted by DSAA to establish funding plans for current year budget execution as well as for development of budget year requests. The Supply Operations budget activity is funded under limitation suffix symbol .001; administration is funded under .003.

★b. Material. Military Assistance Program material budgets are the approved material programs that are developed by an eligible foreign government, to the extent practical, with the assistance of the Military Assistance Advisory Group (MAAG), as provided in the Security Assistance Manual. Line items under the program are funded under limitation suffix symbol .002, unless direct citation limitation suffix symbol .001 funding is requested by the Department of the Navy or contract authority is approved by the President under provisions of the International Security Assistance and Arms Export Control Act of 1976. When reimbursements under Section 506(a) are authorized based on the enactment of a Military Assistance appropriation, funds are allocated under limitation suffix symbol .004.

074742 INTERNATIONAL MILITARY EDUCATION AND TRAINING

1. GENERAL. The appropriation, International Military Education and Training (IMET) provides funds for training of foreign personnel and training aids under the Grant Aid program. The Chief of Naval Operations administers this single budget activity by means of a centrally managed allotment for the student training budget project and by provision of funding documents and accounting citations for other types of training and related expenses.

2. PROGRAM DEVELOPMENT. Training programs are developed by Military Assistance Advisory Groups (MAAGs). Based upon a MAAG determination that Navy or Marine Corps training is required for personnel of the foreign country military establishment, the Military Articles and Services List is used to establish program lines in the Defense Security Assistance Agency (DSAA) 1000 data system. The proposed program is submitted to DSAA for approval via CNO.

074743 FOREIGN MILITARY SALES

1. GENERAL. The Foreign Military Sales (FMS) Program provides military assistance through the sale of defense articles and services to eligible foreign governments and international organizations. The United States normally receives full reimbursement for costs associated with these sales (see pars. 032103, 064010, and 064012).

2. MILITARY DEPARTMENT SPONSOR. Due to the difference in various foreign government military organizational policies and mission assignments, it has been necessary for the Department of Defense to establish principles for determining which United States military service will negotiate for the sale of specific hardware. As a general rule, the United States military service that is responsible as the project manager for development, test, and acquisition of a specific weapons system, negotiates the sale of that weapons system or related services with the foreign customer military service. For example, the Navy is project manager for the F-14 aircraft and would negotiate a sale of this aircraft with a foreign military service.

3. FUNDING OF FOREIGN MILITARY SALES

a. Obligational Authority. Department of the Navy (DON) agreements with foreign countries or international organizations for the provision of defense articles and services, pursuant to the Arms Export Control Act (P.L. 94-329), are executed on United States Department of Defense Offer and Acceptance (DD Form 1513). Based on the signed DD Form 1513, Security Assistance Accounting Center (SAAC) provides obligational authority to DON on a Foreign Military Sales (FMS) Obligational Authority (DD Form 2060) funding document. This document shows the obligational authority for a fiscal year by case identified by that portion of obligational authority applicable to direct citation and the portion applicable to reimbursable effort against performing appropriations. A Foreign Military Sales (FMS) Planning Directive (DD Form 2061) is also required for each DD Form 1513. The DD Form 2061 contains detailed pricing elements, planned financing appropriations, or direct citation along with other information and is the basic source document for preparing the DD Form 2060. Increases and decreases in obligational authority require amended DD Forms 2060/2061. FMS obligational authority is to be treated as an annual appropriation; accordingly, prescribed DON policy and procedures pertain.

b. Expenditure Authority. Most sales are made on a "dependable undertaking" basis. To ensure that the U.S. Government will not suffer a loss resulting from the sale, the foreign government agrees to provide cash to cover payments to contractors and to reimburse the Department of the Navy for work performed. Initially, most obligational authority is in the form of unfunded contract authority, i.e., the cash needed for expenditures is not available. The SAAC is responsible for obtaining the required cash, as needed, from foreign customers on a quarterly basis.

4. MANAGEMENT. In addition to general responsibilities assigned to the Office of the Comptroller of the Navy (NAVCOMPT) and the Chief of Naval Operations (CNO), as indicated in par. 074741, the following budgetary functions related to the FMS Trust Fund are performed by NAVCOMPT (Office of Budget and Reports) and by CNO (Fiscal Management Division):

1. Navy Trust Fund estimates of sales (obligational authority), obligations, expenditures and collections, and unfunded contract authority are developed and submitted to the Defense Security Assistance Agency (DSAA);
2. phased obligations and expenditures are developed and submitted to DSAA and internal organizations;
3. budget calls are issued to major claimants for civilian and military personnel expenses funded by reimbursements from administrative surcharge collections. These reimbursements are made to the military personnel and operation and maintenance appropriations. Based on the data received, unfunded obligational authority is assigned to major claimants;
4. ★ estimates of Research, Development, Test and Evaluation, Navy (RDT&E,N) nonrecurring cost recoveries, developed by the systems commands and project managers, are reviewed and adjusted as necessary. Nonrecurring cost recoveries are required to be deposited in either the Special Defense Acquisition Fund (SDAF) or the General Fund of the Treasury;
5. FMS case pricing on DD Forms 2061 is validated to ensure that all appropriate cost elements are included and that calculations are correct (see par. 032103);
6. based upon SAAC approved DD Forms 2060, obligational authority (OA) allowing execution of FMS cases is conveyed through two channels on Program/Fund allocation (FMS) (NAVCOMPT Forms 2058F). OA for FMS training cases, including training conducted by the U.S. Marine Corps, is passed directly to the Chief of Naval Education and Training (CNET) while OA for all other FMS cases is conveyed to the Navy International Logistics Control Office (NAVILCO);
7. quarterly or as required, SAAC issues expenditure authority (EA) at the country-level to NAVILCO via NAVCOMPT, NAVILCO maintains internal controls to ensure that payment authorizations issued do not exceed the current country-level expenditure authorization. Country-level EA is used to pay for FMS expenses incurred by DON, supporting components, and private contractors. Other expenses such as training, Navy Industrial Fund services, and material issues other than interfund billings, are reimbursed by SAAC upon receipt of DD-COMP(M) 1517 card from NAVILCO or CNET.

★PART I: REIMBURSEMENTS

074800 GENERAL

Various public laws and policies of the Department of Defense establish the basis under which property, work, or services may be furnished by one activity to another activity of the United States Government or to the public on a reimbursable basis. Appropriation reimbursements are a source of financing as a direct result of customer orders. In all appropriations in which a reimbursable program is administered, amounts anticipated to be available as reimbursements to be earned are budgeted in a "reimbursable budget program" separately from a "direct budget program." Estimates of reimbursements subject to automatic apportionment are not included in apportionments and allocations. In execution of approved reimbursable budget programs, the reimbursements earned as the result of filling customer orders are derived from the performance of work or services, the procurement of material for others, or the sale of materials from present inventories. Reimbursements from the sale of material from present inventories, accruing as a revenue, may be used to replace the items sold if they are in short supply, or the revenue may be applied as free assets under established criteria to finance direct budget programs.

074801 DEFINITIONS

1. REIMBURSEMENTS. Reimbursements are the amounts received or to be received by a command/office/bureau or an operating activity thereunder for the cost of property, work, or services that by law may be furnished to others and which will result in credit to an appropriation or other fund account or subdivision thereof.

2. ANTICIPATED REIMBURSEMENTS

a. General. Anticipated reimbursements are the amounts of reimbursable orders expected to be accepted in the first year of an appropriation and constitute a source of authority and available resources to cover obligations to be incurred in the performance of work or services, in the procurement of material for others, or in the replacement of material sold from stock. The anticipated reimbursements during a fiscal year are the basis for the reimbursable budget program under an appropriation.

b. Apportionment and Allocation Requirements. The reimbursable budget program of any appropriation requires specific prior apportionment and allocation except for the category of reimbursable transactions for which the Office of Management and Budget (OMB) has authorized automatic apportionment. Under this exception, anticipated reimbursements are apportioned automatically in the amount of work or service orders accepted by activities which are financed from certain appropriations; viz., Operation and Maintenance, Navy; Operation and Maintenance, Marine Corps; Operation and Maintenance, Navy Reserve; Operation and Maintenance, Marine Corps Reserve; Research, Development, Test and Evaluation, Navy; and Military Construction, Navy. To the extent that reimbursements are apportioned automatically, there is concurrent automatic allocation and increase to activity operating budgets and engineering field division suballocations for the operating and military construction appropriations, respectively. The funding documentation in each higher echelon in the fund flow chain is increased to reflect automatic allocation at the field level based on monthly reporting.

3. AUTOMATIC OR OTHER BASIS OF REIMBURSEMENT

a. General. Within the Department of the Navy, there are two types of reimbursements. They are primarily distinguished by the timing of the obligation required for filling the customer request and/or by the nature of the ordering document.

b. Automatic Reimbursements. Automatic reimbursement authority results from acceptance of orders which are obligated by the requesting organization prior to the filling of the order by the accepting organization. Costs incurred by the accepting and performing activity are charged initially to the operating budget or allotment and subsequently billed to and collected from the fund citation on the order. Specific apportionment and allocation of automatic reimbursement authority at any performing level is not required for the appropriations cited in subpar. 2b because automatic apportionment and allocation has been authorized by OMB. Additionally, the Navy Management Fund, Navy Industrial Fund, Marine Corps Industrial Fund, General Trust Funds, and Trust Revolving Funds are not subject to apportionment. The reimbursable program levels for these programs will be the amounts reflected in the President's budget.

c. Other Reimbursements. Reimbursable authority for appropriations subject to specific apportionment and allocation of reimbursable budget program, i.e., appropriations other than those cited in subpar. 2b, and reimbursements resulting from the sale of material from service inventories (stock issues) or from the provision of work or services that are not supported by specific orders are categorized as "other reimbursements." Provision for sufficient apportionment of reimbursement authority should be obtained prior to acceptance of orders to be performed under appropriations for which automatic apportionment is not applicable. Reimbursable transactions not supported by a specific order, commonly called "unfunded transactions," are limited to those items listed in par. 035976. Examples are user charges and surcharges. The reimbursement collection to an appropriation resulting from such transactions generally has no separately identified obligations associated with the provision of the work or service. The reimbursement collection is applied against the reimbursable budget program authority, provided either through specific apportionment or automatic apportionment dependent upon the appropriation involved.

074802 REIMBURSABLE BUDGET PROGRAM ADMINISTRATION

1. POLICY

a. General. Consistent with guidance from the Office of the Assistant Secretary of Defense (Comptroller) (OASD(C)), the policy of the Department of the Navy (DON) is that mission costs are funded directly through command lines and are direct budget program costs. Funding across command lines is limited to direct citation-of-funds orders, reimbursable orders for material or service, and technical operating budgets. The policy herein applies to material or service reimburable orders. Estimates of reimbursements shall be disclosed fully in the budget data for each appropriation in which a reimbursable budget program is authorized. Pricing of anticipated reimbursements should reflect the best estimate of full cost consistent with OASD(C) budgeting guidance for budget program estimates. Additionally, whenever feasible, the rates for personal services incurred in reimbursable orders should be revised at the time of a pay increase to reflect properly the increased cost.

b. Control of Reimbursements. To the greatest extent feasible, reimbursements shall be budgeted, controlled, and accounted for under appropriated funds, or subdivisions thereof, at the level of the respective operating commands, bureaus, offices or activities which earn them. Where the use of reimbursements is controlled at organizational levels above that at which they are earned, the reimbursements shall be budgeted and accounted for at the level at which they are controlled. Any diversion of intended delivery for Navy use to a reimbursable customer (see subpar. 2b(2)(a), item 1) will be provided through a stores inventory account to ensure financial control, the proper processing of documentation to effect reimbursement, and to generate credits to the applicable procurement appropriation and reimbursable subhead. As a general policy, to preclude unnecessary layering of accounting, when one headquarters organization receives an order which requires the total work effort to be performed or administered by one of its field activities or a field activity of another headquarters organization, the reimbursable order shall be passed directly to the field activity for acceptance and performance. Under procurement and the Research, Development, Test and Evaluation, Navy appropriations, intra-appropriation reimbursements between program managers within the same headquarters command/office are prohibited.

c. Waiver of Reimbursements. Some areas of support provided to others are designated to be performed on a common-service basis without reimbursement. In areas where Department of Defense (DOD) or DON policy requires that support will be provided on a common-service basis, the furnishing of the designated support is considered to be within the mission and direct program responsibility of the performing activity. Intraservice and interservice support normally furnished on a reimbursable basis may be furnished on a common-service basis when the value of transactions with a customer activity aggregates less than $100 within a quarterly period. In addition, a waiver of reimbursement may be granted by OSD in specific cases, where not contrary to law and where substantial evidence exists that it is in the interest of DOD and the United States Government to furnish material or services to other governmental agencies or foreign governments without reimbursement.

d. Application of Reimbursements. Unless specifically mandated by law, reimbursements are to be credited to accounts current when the reimbursements are earned rather than accounts current when reimbursements are collected.

2. PROCUREMENT APPROPRIATIONS

a. Scope. In procurement appropriations the reimbursable budget program consists of those items of material sold from existing stocks or material purchased for customers, including work or services which are performed in connection with delivery thereof. Within DON the terms "customer program" and "service account" are sometimes used as synonyms for "reimbursable budget program" and "direct budget program," respectively.

b. Procurement Terms

(1) Direct Citation Procurement. Direct citation procurement exists when the customer's accounting data is cited on contracts. A direct citation procurement transaction is not categorized as a reimbursable transaction.

(2) Replacement

(a) Replacement-in-Kind Procurement. Replacement-in-kind (RIK) procurement is procurement initiated to replace material sold to customers. It is DOD policy that RIK transactions are administered under the reimbursable budget program authority when procurement is classified as:

1. replacement procurement for quantities of identical items furnished to the customer from on-order quantities under an existing contract financed by direct program funds;
2. replacement procurement in identical kind for items sold to customers from inventory; or
3. replacement procurement for secondary items, whether or not identical, is treated as a generic category requiring, by definition, "replacement-in-kind."

"Identical," as used in items 1 and 2, means the same basic model and series or mod designation; i.e., sale of and replacement procurement of an AN/USM 281 Mod 1 oscilloscope.

(b) Replacement Procurement. Replacement procurement is the acquisition of material items to replace those sold to customers, wherein the replacement item is not identical but accomplishes the same basic purpose, e.g., an S-2 aircraft is sold, but an S-3 aircraft is acquired to replace it. In such a situation, the reimbursement from the sale will be included under reimbursable financing but the "buyback" of the replacement must be accomplished under the direct budget program, consistent with the requirements for reprogramming of funds (see par. 073301).

★(3) Free Assets. Free assets are the revenues derived from the sale of material which does not require replacement or will not be replaced. The free assets resulting from these sales would accrue under a reimbursable program. Free assets derived from Foreign Military Sales (FMS) stock issues are required by law to be deposited to either miscellaneous receipts of the Treasury, 173041.1202 (see par. 022202-3n), or to the Special Defense Acquisition Fund (SDAF). See Section 104 of DOD 7290.3-M.

c. Guidance

★(1) Objective. Direct citation of customer funds for procurement should be used whenever possible since this avoids complex reimbursable accounting. This policy is mandatory for Military Assistance Program procurements. When an order consists solely of procurement involving no in-house work or services to complete the order, customer funds shall be cited directly on the contract. When a procurement order requires a major portion of the work to be performed with in-house capabilities, the total order may be accepted on a reimbursable basis.

(2) Basis of Reimbursable Budget Program. In a procurement appropriation, anticipated reimbursements will be based upon:

1. estimates of customer orders to be accepted in the first year of an appropriation for items of the type normally procured for DON use which are to be financed under the procurement appropriation for direct delivery to the customer, and
2. estimates of customer orders to be accepted in the first year of an appropriation for items which will be furnished from inventory or which are on-order under an existing contract.

On 30 September of each fiscal year, the balance of anticipated amounts of reimbursable orders not realized will be reduced to zero. In the case of multiple-year appropriations, there cannot be any anticipation for new orders in the second or following years of appropriation availability; however, anticipated adjustments to existing prior year orders may be authorized in subsequent years.

(3) Reimbursable Budget Program Replacement Procurement. Replacement (RIK or replacement) procurement financed with funds resulting from the reimbursable budget program authority is limited to the replacement of on-order or on-hand items which have been or will be furnished to customers and must be accomplished during the period of availability of the appropriation account for incurring obligations. Any replacement procurement, excepting RIK of secondary items, is initiated by submission of a request to NAVCOMPT, Director of Budget and Reports (NCB), for approval. Upon approval, RIK is accomplished by citing funds transferred to the RIK subhead; replacement is accomplished by citation of funds reprogrammed into the appropriate direct program. Both below and above threshold reprogramming to finance replacement under the direct procurement budget program requires approval by NAVCOMPT (NCB), Office of Management and Budget (OMB), OSD, and Congress, as appropriate. RIK or replacement shall be initiated only when items are below authorized inventory objectives for the fiscal year in which the stock issue is made, compared to total inventories including material on order and programmed for funding during the same fiscal year period. Revenue derived from sales of prepositioned war reserve stocks (PWRS), for which RIK is not required, will be treated as free assets and may be reinvested in PWRS under direct program authority upon approval by NAVCOMPT (NCB) to reprogram the funds.

★(4) Application of Free Assets. Non-FMS free assets are utilized to finance direct budget programs or applications between appropriations, subject to apportionment/reapportionment and reprogramming approvals. Prior NAVCOMPT (NCB) approval is required for below threshold actions as well as above threshold actions. See subpar. 2b(3) for policy regarding FMS free assets. At least annually by the end of the fiscal year, all identified FMS free assets collected in any account, current or prior year, resulting from sales of articles from defense inventories, including both stock fund and procurement appropriations items, will be deposited to miscellaneous receipts of the Treasury, 173041.1202 (see par. 022202-3n), with the exception of assets which may be retained in the Special Defense Acquisition Fund (SDAF). See Section 104 of DOD 7290.3-M.

d. Reimbursable Subhead Structure. The reimbursable budget program under each DON procurement appropriation is administered by means of a subhead structure which identifies meaningful details of the program. The first digit identifies the administering office, the second identifies the corresponding direct budget activity, and the last two identify the reimbursable program classification.

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CHAPTER 5

FINANCIAL RESPONSIBILITY

PART A: GENERAL FUNDING POLICY

075000 SCOPE

In the exercise of assigned responsibilities, the Comptroller of the Navy determines budget and funding responsibilities between appropriations/accounts and between organizational entities of the Department of the Navy. The establishment of financial responsibility is based upon the legal scope of items and functions which can be funded from an appropriation and the Comptroller interpretations of various Office of Management and Budget and Office of the Secretary of Defense regulations. Part A of this Chapter provides general financial policies within DON which are utilized to assign funding responsibility. Parts B and C provide policy guidance for operation and investment programs respectively. Policy for research development, test and evaluation programs is provided in Part D. Finally, funding guidance for morale support activities is provided in Part E.

075001 EXPENSE/INVESTMENT CRITERIA

1. GENERAL. Costs budgeted in and financed by the Operation and Maintenance, Military Personnel, Retired Pay and Foreign Currency Fluctuation appropriations (including those for Reserve components) are considered expenses. Costs budgeted in and financed by the Procurement and Military Construction appropriations (including those for Reserve components) are considered investments. Costs budgeted in and financed by the Research, Development, Test and Evaluation; Civil Defense; Family Housing; Foreign Currency Fluctuation, Construction; Civil Functions; and Military Assistance Program appropriations include both expenses and investments.

2. EXPENSES. Expenses are costs of resources consumed in operating and maintaining the Department of Defense. The following criteria will be used to determine those costs to be classified as expenses:

1. labor of civilian and military personnel, including contractual labor;
2. rental payments on leases for equipment and facilities;
3. food, clothing, and petroleum, oil, and lubricant (POL) items;
4. expendable supplies and materials;

★5. items designated for stock fund management in the central supply system. These are items designated as Department of the Navy Stock Fund Account items. These include items actually issued from inventory and standard items (i.e., listed in the supply Management Lists) which are not stocked in the supply system but are authorized for local purchase;

6. Maintenance, repair, overhaul, and rework of investment items, including real property facilities;
7. assemblies, spares and repair parts which are not designated for centralized individual item management by an inventory control point in the central supply system; i.e., not designated as Appropriation Purchases Account or Marine Corps Appropriation Stores Account;
8. general motion picture procurement and development;

★9. all other equipment items not in the preceding categories that have a unit value of less than $15,000 and which are not designated for centralized individual item management by an inventory control point in the central supply system; i.e., not designated as Appropriation Purchases Account or Marine Corps Appropriations Stores Accounts.

3. INVESTMENTS. Investments are costs of capital assets of the Department of Defense such as real property and equipment that provide new or additional military capabilities or maintain existing capabilities. The following criteria will be used to determine those costs to be classified as investments.

a. Equipment. All items of equipment, including assemblies, spares and repair parts, which are subject to centralized individual item management and asset control by an inventory manager or an inventory control point in the central supply system, including items designated as Appropriation Purchases Account or Marine Corps Appropriation Stores Account. This excludes items designated for stock fund management.

★b. Other Items of Equipment. Other items of equipment, except for those designated as expense under subpar. 2, having a unit value of $15,000 or more are investment items. Unit value includes any trade-in allowance received from the procurement source, to the extent allowable by the Defense Acquisition Regulations. The criterion does not apply to stock funded inventory items that are coded depot level repairables. Also, the term "unit value" applies to equipment items in the following ways, depending on the circumstances:

1. the items are being acquired as a new system, i.e., the items are a part of and function within the context of a whole to satisfy a documented requirement; in this case, "unit value" applies to the aggregate cost of all equipment items being acquired as a new system;
2. the items are being acquired as additions to an existing system; in this case, "unit value" applies to the individual equipment item;
3. the item is being acquired to satisfy a documented requirement on a stand-alone basis; in this case, "unit value" applies to the individual equipment item.

c. Construction. Construction, including the cost of land and rights therein (other than leasehold), is the erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; the acquisition of a facility, or the relocation of a facility from one installation to another. Construction is distinguished from repair or maintenance in that repair or maintenance has the effect merely of keeping the facility in its customary state of operating efficiency without the expectation of added future benefits. Construction includes equipment installed and made part of such facilities, and related site preparation, excavation, filling, landscaping, and other land improvements.

d. Ship Conversion. The cost of labor, kits, assemblies, equipment and material for ship conversion.

e. Other. Any cost designated as expense under subpar. 2 when included in the production or construction of an investment item, except for military personnel.

4. CONDITIONAL CASES. The following are conditional cases which take precedence over the criteria contained in subpars. 2 and 3.

a. Initial Outfitting. Initial outfitting of a major end-item of equipment, such as a ship or aircraft, with the furnishings, fixtures, and equipment necessary to make it complete and ready to operate is part of the initial investment cost. All items making up the initial on-board load, including spares physically included with the item for which the spares are intended (e.g., for aircraft, spares physically stored within the operating aircraft), are investment costs even though the items may be an intrinsic expense. Additionally, increased allowances incident to modification of the item or correction of initial outfitting deficiencies are investment costs. If a single procurement of an intrinsic-expense item is for the purpose of both the initial on-board load and other inventory, the procurement will be financed through the stock fund and that portion required for the on-board load will be reimbursed by the procurement appropriation which finances the end item. The costs of replacing intrinsic expense items making up the initial on-board are expenses. (See par. 075364 for additional guidance.)

b. Ammunition and Explosives. Ammunition and explosives (Federal Supply Classes in Group 13) are investments even though they are consumed in use.

c. Modification and Maintenance. Modification is the alteration, conversion, or modernization of a major end item or equipment which changes or improves the basic character, purpose or operational capacity in relation to effectiveness, efficiency or safety. Maintenance is the routine, recurring work conducted to maintain a major end-item or equipment at its intended capability or designed performance. Budgeting for costs to accomplish modification and maintenance of investment items in operational inventory is prescribed below.

(1) Modification. The cost of labor for modification installation is an expense. The cost of modification kits and assemblies provided to an installing activity is an investment regardless of unit cost. All items included as part of a modification kit are considered investment even though the individual items may be an intrinsic expense. The cost of incidental material and items required by the installing activity for installation of modification kits and assemblies is an expense. However, incidental modification items are classified as investment when they are designated for centralized individual item management in the central supply system (Appropriation Purchases Account and Marine Corps Appropriation Stores Account).

(2) Maintenance. The cost of labor, material, items designated for stock fund management, and equipment to be incorporated into the investment item as a requirement for maintenance is classified as expense. This includes the replacement of equipment and assemblies which are installed in a major end-item such as a ship or aircraft. However, items of equipment utilized during maintenance for which an inventory control point maintains centralized individual item management in the supply system (Appropriation Purchases Account and Marine Corps Appropriation Stores Account) are classified as investment costs.

d. Construction Program Costs. Construction program costs, such as program development, procurement management, contracting offices, contract audit offices, systems project offices, and other costs associated with construction management in general, as distinguished from supervision of specific construction projects, are expenses. Costs incident to the acquisition (e.g., design, direct engineering, technical specifications) and construction of a specific project are investments. The costs of administering military construction programs above Corps of Engineer and Public Works district levels are expenses, except that the costs of the acquisition function performed at the Headquarters, Naval Facilities Engineering Command are investments. The costs of administering military construction programs at district levels and below are investments. The costs of administering the real property maintenance program are expenses at all levels.

e. Minor Construction. Costs of minor construction projects not financed by Military Construction appropriations or the Construction category of the Family Housing appropriations will be considered expenses. However, this definition in no way abrogates the prohibition against the planned acquisition of, or improvement to, a real property facility through a series of minor construction projects, i.e., incremental construction. Minor construction will continue to be reported and reflected in the DOD real property inventory.

f. Maintenance and Repair of Real Property. Repair or maintenance has the effect of merely keeping the facility in its customary state of operating efficiency without the expectation of added future benefits. Thus, repair and maintenance of a real property facility is classified as expense. This includes the replacement of facility components, including that equipment which is installed or built-in as an integral part of the facility (included within Class 2 property).

g. Procurement/Production Program Costs. The cost of civilian personnel compensation (including benefits) and other direct expenses (travel, office equipment and automatic data processing leasing and maintenance, supplies, printing and reproduction) incurred in support of procurement/production programs by Department Headquarters staff (Secretariat, Office of the Chief of Naval Operations, and Headquarters, U.S. Marine Corps), contracting offices, contract audit offices, systems project offices, and acquisition managers are expenses. Project office and acquisition manager support services obtained from inhouse field activities or by contract are considered direct procurement support costs and are thus classified as investments when integral to the execution of procurement programs under the cognizance of the project office or manager. Additionally, procurement/production direct support costs such as: production testing, quality assurance, production engineering, and equipment assembly, whether performed under contract or in-house are investments (see pars. 075341 and 075342).

★h. Commissioning Ceremony. The costs of the ship commissioning ceremony for newly constructed or converted ships are to be funded as part of the investment cost (see par. 075373).

i. Lease Agreements

(1) Scope. For purposes of expense/investment funding determinations, leases will be categorized and funded as specified in subpars. (2), (3), and (4).

(2) Lease. A "straight" lease is an agreement which simply conveys the right to the use of real or personal property for 12 months or less. Payments made for a straight lease are operating costs and, regardless of the amount, are expense funded. An agreement requiring periodic payments in excess of straight lease costs leads to ownership and is considered an installment purchase. In this instance, the payments may not be split funded between expense and investment funds, but must be viewed in total and fully funded as dictated by the unit value limitation contained in the expense/investment criteria.

(3) Lease-to-Ownership. In a lease-to-ownership agreement, ownership of the real or personal property will automatically pass to the Government upon completion of a specified lease period. The lease payments must be no more than those required for a straight lease of the same item/property and additional payment for ownership must not be required. Lease-to-ownership agreements must not obligate the Government for a period of more than 12 months, notwithstanding the fact that the right to renew the agreement for successive 12-month periods can be secured through multiple options to renew. Lease-to-ownership agreements are categorized as operating costs and are financed by appropriations/funds available for expenses.

(4) Lease-Purchase. Lease-purchase agreements allow the Government to acquire ownership of the item/property by making payment pursuant to a purchase option written into the agreement. Expense funding will be used for the lease phase of the agreement if the lease payments do not exceed a straight lease cost and the lease term, exclusive of renewal options, is for a period of 12 months or less. Payments made pursuant to the purchase phase of the agreement, either as lump sum, periodic, or a combination thereof, will be made from investment funds if the aggregate cost exceeds the established expense/investment threshold. Payments made as expense during the lease phase of the agreement will remain operating cost as initially charged regardless of subsequent ownership/purchase option decision. Once ownership has transferred to the Government, further payments for the lease phase of the agreement are precluded.

j. Turnkey Acquisition. When investment equipment to be installed in a real property facility is procured on a "turnkey" basis, the costs of both the equipment and its installation are considered investments. A turnkey acquisition is a procurement wherein a single contractor provides both equipment and its installation in a real property facility on a single contract and the equipment is accepted by the Government after installation. Equipment installed by the contractor can include Government Furnished Equipment (GFE) from other contract or inventory, provided the GFE is integral to the system being acquired on a turnkey basis. The funding policy is not applicable to installation of equipment modifications, nor to equipment installation performed by Government employees.

5. RELATIONSHIP WITH REVOLVING/MANAGEMENT FUNDS. The criteria contained in this paragraph do not apply to revolving/management funds since these funds are governed by separate regulations. For example, industrial funds are authorized to finance certain industrial fund activity equipment classified as an investment. However, the use of appropriations provided on a customer order to an industrial fund activity is governed by expense/investment criteria and other guidance and restrictions governing the use of appropriations. For example, an Operation and Maintenance, Navy funded customer order cannot be utilized by an industrial fund activity to finance customer equipment classified as an investment.

075002 ALIGNMENT OF COMMAND AND FUNDING RESPONSIBILITIES

The establishment of command funding in the Department of the Navy had a significant impact on the channels through which funding authority was made available to ships and stations. One objective of reorganization was to change the funding channels so as to effect, to the maximum extent possible, an alignment of command and funding responsibility. The result was a substantial transfer of funding authority from offices and systems commands which provided functional supervision to those organizations which held command. This permitted direct participation in the allocation of resources for operational requirements by the Commanders in Chief and subordinate commanders. It is now Department-wide basic budget and funding policy in the operation and maintenance areas that the financial responsibilities parallel responsibilities for command.

075003 CROSS OR COMMON SERVICE

1. GENERAL. Interservice or intraservice support is provided on either a cross-service (with reimbursement) or common-service (without reimbursement) basis as described in subpars. 2 and 3. The application of the Department of Defense Resource Management System (RMS) does not require that each activity or unit budget and fund for every cost incurred in the support of that activity or unit. The assignments of missions and tasks by higher authority may include the responsibility to provide support to contiguous or satellited activities as part of the basic mission of an activity. It is the objective of RMS to charge to the performing activity all those costs which are incurred in the performance of its mission even though some part of the mission relates solely to the support of other activities.

2. CROSS SERVICE. Ordinarily, when an activity does provide work or services to another activity which is not within its common-service mission, it will charge for such support provided it is significant, identifiable, out-of-pocket, and the costs can be developed without administrative difficulty. When reimbursement for support is valid, the RMS concept requires that the support be measurable.

3. COMMON SERVICE. When one activity provides support to another activity on a common-service basis, the support is considered to be within the mission of the providing activity. The support functions are included as direct program costs in the budget of the providing activity. Activity which operate under an industrial fund will budget for common support functions under the military support program, and the cost of common support which is initially financed by the industrial fund is recovered by charging the military support program. Activities governed by industrial fund regulations are permitted to recover the cost of designated common-service functions in support of their own operations following guidance governing industrial fund operations. Common-service support is directed for certain areas of intraservice and interservice support (see Sections II and VI, Part B, of this Chapter).

4. WRITTEN AGREEMENT. Prudent management prescribes that clear understandings exist between activities providing or receiving support in order that each budget can be properly formulated to reflect funding responsibilities. A Support Agreement (DD Form 1144) or a written memorandum of understanding may be used for this purpose.

5. CHANGING BASIS OF SUPPORT

a. Timing. When an activity has provided support on a common-service basis as part of its assigned mission and tasks and receiving organizations have become dependent for the support based on historical performance, it is not appropriate that the support be changed from common service to cross service without the opportunity for the receiving activity to include the costs in its budget. Such changes should be proposed at the time of the original budget formulation; i.e., 12 to 15 months prior to the beginning of the budget year when the change is to become effective. In extraordinary situations, changes can be made during the apportionment process through an adjustment of funds between cognizant claimants; however, it is more orderly to propose such changes in the normal budget formulation cycle.

b. Funding Reductions. Funding reductions should not be applied solely in the areas where support services are being provided to others on a nonreimbursable basis. Such support services must participate equally in the overall fund reductions imposed on a performing organization. As stated in subpar. 1, support services on a nonreimbursable basis are a part of the mission and tasks of the performing activity.

c. Excessive Billings. The nonproductive aspects of excessive billings upon total Department of the Navy resources should be considered by major and subordinate claimants before planning any changes from a nonreimbursable to a reimbursable basis. Aside from not creating any assets for overall use, the excessive billing process becomes an expense in terms of manpower and dollars to both the billing and receiving activities, as well as to any accounting activity which may handle the transactions.

075004 TRANSFER OF FUNCTIONS

1. GENERAL. A transfer of functions within the Federal Government will be accomplished wherever possible within the normal budget cycle so that appropriate adjustments of resources may be made between affected organizations in the normal budget formulation process. In the limited number of cases where a transfer of functions between agencies within the Federal Government or within the Department of Defense (DOD) is accomplished during a fiscal year, fund adjustments necessitated by the transfer should be handled to the extent possible on a reimbursable basis. Only when the financing of such transfers through the reimbursement process presents serious burdens or involves significant amounts should a transfer of funds be requested. A "transfer of funds" is a transfer of all or part of budget authority in one account to another in the same year in which the authority was made available. The mechanics and required approvals for such transfers at the headquarters level are discussed in the DOD Budget Guidance Manual (DOD) 7110-1-M) which is contained in the Budget Submissions Manual, Appendix B. Within the Department of the Navy the Government-wide policy of transfers of functions during the normal budget cycle has been found to the best course of action. A proposed transfer of function between organizational components requires sufficient leadtime to permit coordination between organizations resulting in mutually agreed budget adjustments which will be displayed as a transfer of function and reflected in the estimates submitted to the Comptroller in response to the annual budget submissions "call." Pending adjustments in resources, it is expected that the headquarters component which has budgeted for a mission or task will insure the provision of the service required by that mission or task within the timeframe of the budget execution period and the resources available. When a request is being considered for transfer of funding responsibility between appropriations, either of which is available for the expenditure in question, the action is limited by 23 Comp. Gen. 827, which found as follows:

> "Where either of two appropriations reasonably may be construed as available for expenditures not specifically mentioned under any appropriation, the administrative determination as to which of the two shall be used will not be questioned by the accounting officers, but, when such determination and election have been made, the continued use of the appropriation selected to the exclusion of any other for the same purpose is required in the absence of changes in the appropriation acts."

In view of the foregoing ruling, such a change of funding from one appropriation to another, where a previous election has been made, requires an accompanying transfer of funds.

2. PURPOSE OF TRANSFERS. In general, transfers of funding responsibility occur between organizations to accomplish one of the following actions:

1. to change the basis of support (work, services, material) from nonreimbursable to reimbursable, or to discontinue the support;
2. to provide for the reassignment of responsibility to provide support (work, services, material) or to perform specific functions from one organizational entity to another, regardless of physical proximity.

3. POLICY. It is budget and funding policy of the Department of the Navy that transfers in funding responsibility will be made only after equitable budget adjustments have been arranged through the normal budgetary process. When the amounts to be transferred are identified for equitable budget adjustments, the resources in the Five Year Defense Program also will be identified for transfer to the receiving organizational entity in accordance with the provisions of the Department of the Navy Programming Manual, par. A-30.

4. PROCEDURE FOR APPROVAL

a. General. Changes in funding responsibility may not be approved at the shore activity level except with concurrence of affected headquarters components. Proposed changes in funding responsibility must be timed to permit complete coordination and mutual agreement between the affected headquarters components. When it is proposed to change support from a nonreimbursable to a reimbursable basis, it is incumbent on the organization providing support on a nonreimbursable basis to continue such support until the receiving organization has been given the opportunity, in the course of the normal budget cycle, to budget for a change in support responsibility. This requirement is equally applicable in those cases where a change in functional responsibility is proposed. The timing would provide that the receiving organization would increase its estimates and the performing organization would appropriately decrease its estimates to accommodate the change in the submission of the fiscal year budget estimates to the Comptroller. Changes in funding responsibility also may be proposed to be effective subsequent to the submission of the budget to the Comptroller if exceptional circumstances preclude a delay until the following budget cycle.

b. Intra-Appropriation Transfers. Approved functional transfers which require intra-appropriation transfers for which mutually agreed budget adjustments have not been reached between the losing and gaining command prior to the NAVCOMPT budget submission will continue to be funded by the losing command on a reimbursable basis during the first full year after the functional transfer. This permits the gaining command time to develop data necessary for estimating requirements. Accordingly, amounts incident to a functional transfer for which there is no agreement on an intra-appropriation funding adjustment will remain in the budget base of the losing command and claimant and will not be shown in the approved functional transfer exhibit until the following year. The gaining command is then responsible for developing an estimate of the appropriate transfer amount. Such transfers will be attached as addenda in the format of the approved functional transfer exhibit in the next annual budget submission to NAVCOMPT marked clearly across the face "TO BE ADJUDICATED" if amounts to be transferred remain unresolved. Brief statements of outstanding issues, dollar amounts, and points of contact should be attached. The resources for the unresolved functional transfers will be adjudicated by NAVCOMPT and will be included in the adjustments effected in connection with apportionment.

c. Timing and Limitation

(1) Budget Cycle. Normally, such changes should be made effective at the beginning of the fiscal year wherein the receiving organization has budgeted for the support in the course of the normal budget cycle. Appropriate budget adjustments will be included in the estimates submitted to the

Comptroller in response to the annual budget submissions "call," with identification and information as to the types of support to be changed and reason therefor.

(2) Outside Budget Cycle. When the change, by mutual agreement or direction from higher authority, is to be made effective in the current year outside the normal budget cycle, the gaining organization will originate correspondence to the Comptroller, via the losing organization, identifying the:

1. effective date,
2. estimate of dollar amounts,
3. information as to the type of support involved and reasons for change.

Approved adjustments will be made at an appropriate time in the budget process subsequent to receipt by the Comptroller of the required supporting information. Action on intra-appropriation funding adjustments normally occurs in the initial apportionment at which time all requests for funding transfers then held by the Comptroller are processed. When exceptional circumstances exist, immediate adjustments will be made by the Comptroller when requested and justified by the organizational components involved. Action on inter-appropriation tranfers of funds is dependent upon the receiving department or agency obtaining prior approval of the Assistant Secretary of Defense (Comptroller) and agreement as to the amounts proposed for transfer by the departments or agencies concerned.

(3) Limitation. No funding adjustments will be made if the major claimant which would acquire the transfer is annually allocated more than $75 million in obligational authority under the appropriation to which the transfer would be made except when the amount included in a single adjustment, whether for a single transfer or an aggregate of transfers, exceeds $25,000. Intra-appropriation transfers also are limited by the specific restrictions applicable to each appropriation with regard to reprogramming approvals.

5. BUDGET PRESENTATION. Transfers which are displayed in the program and financing schedules of the budget as presented to Congress do not ordinarily include internal funding transfers. The identification in the program and financing schedules of transfers to and from other accounts has been limited by the Office of Management and Budget to amounts "...moved from one appropriation or fund to another, in the same year in which the authority becomes available which represents an adjustment to the accounts involved, and which does not involve an obligation, expenditure, payment, reimbursement, or refund. These adjustments usually will be limited to interchange of money where the purpose for which it is used changes, transfers under reorganization plans, and transfers authorized by Congress in lieu of supplemental appropriations." The budget justification material presented to Congress will reflect all transfers displayed in the budget document. In addition, funding transfers which do not qualify for identification in the budget document will be shown in the current year and budget year columns of the budget justification material whenever the approval and amounts of the transfers are known in sufficient time to permit incorporation.

PART B: OPERATION FUNDING POLICY

Section I: GENERAL

075100 SCOPE

This Section contains budget and funding policy for operation of Department of the Navy activities, mainly budgeted in the operation and maintenance appropriations. It includes guidance concerning host-tenant relationships, consolidated support activities, transportation and travel, interservice, interdepartmental and international relationships, and a variety of miscellaneous funding assignments.

Section II: HOST/TENANT RELATIONSHIPS

075120 DEFINITIONS

Terms and definitions that shall be used in providing budget and funding guidance in various areas of relationships within the Department of the Navy follow:

Host Activity—A host activity is one which provides facilities to another activity. A host activity also may provide services.

Supporting Activity—A supporting activity is one which generally provides only services to another activity.

Tenant—The tenant activity is one which uses facilities and/or receives services from another activity.

075121 BUDGET POLICY

1. HOST ACTIVITY RESPONSIBILITY. The host activity is responsible for costs incurred for the preservation of facilities in the real property inventory of the host so as to protect the value of the plant account. Although a tenant may be a sole occupant of a facility in the real property inventory of the host, structural maintenance of a cyclical nature (also classified as preventive and corrective maintenance) and repair to insure the continued physical integrity of the facility, including installed equipment, is a host budgeting responsibility. The term "cyclical maintenance" is applied to those types of real property maintenance operations for which engineering standards have established annual or multiple year cycles of optimum frequency for effective maintenance of a facility. The host is also responsible for emergent repair work to correct repairable damage caused by disasters and repair to replace wornout parts of a facility that are beyond economical maintenance. The host includes the cost of common service support in the direct program of the activity budget. In circumstances when the host finds it necessary to relocate tenants on property controlled by the host, the host is responsible to provide alternate spaces of approximate equal serviceability to the displaced tenant. In the event that the host's request for relocation is necessitated by accommodation of a function of a different tenant, the tenant activity necessitating the space realignment is responsible for the costs of renovating space and relocation.

2. TENANT ACTIVITY RESPONSIBILITY. The tenant activity will budget and fund for any additional, identifiable, and significant costs incurred by the host on the tenant's behalf, provided that such costs can be segregated on a reasonable and meaningful basis without undue administrative and/or fiscal difficulties. Examples of such reimbursable costs are as follows:

1. tenant's direct expenses;
2. additions, improvements, alterations, and/or rehabilitation of facilities for the tenant's occupancy or use;

3. maintenance and repairs caused solely by the tenant's occupancy or use of the facilities.

Exceptions to the foregoing tenant funding responsibilities are recognized in the case of certain support costs relating to Navy Offices of Patent Counsel and Navy and Marine Corps commissary stores (see pars. 075135 and 075156 for details concerning these exceptions).

3. MISSION TASKS. Supporting activities (or hosts) will not bill tenants for the support functions designated in the following table to be provided on a common-service basis. Activities which operate under an industrial fund should charge their own military support resources for the nonreimbursable support services provided to tenant or satellite activities. As an exception to this policy, common-service and administrative base support functions are provided by the Naval and Marine Corps Air Stations to tenant Naval Air Rework Facilities on a reimbursable basis. For each support area, charges are determined on a job order basis or are prorated based on an agreed ratio of Naval Air Rework Facility units of measure to air station units of measure. Actual data will be accumulated for use in verifying the prorated amount billed, and for computing subsequent cost prorations.

4. OPERATING FORCES. Support activities, such as naval operating bases and air stations, are assigned responsibility for base support of units of the operating forces. Resources are provided to support activities to finance the costs of all designated common service and administrative base support functions listed in the following table. This is applicable whether the units are permanently home-ported or are deployed for extended periods. Shore support activities that operate under industrial-fund procedures should provide all designated common service and administrative base support functions to operating force units, financed from their own military support resources/allotments. Utilities should not be included in base support funding. Reimbursement for utilities should be guided by par. 075122. Funding of minor construction/alterations is dependent on the need. Per subpars. 1 and 2, that necessary for preservation of facilities is a host responsibility, and that necessary for or caused by the tenant's occupancy is a tenant responsibility. The nature of the aeronautical establishment of the Department of the Navy requires a special relationship between Navy and Marine Corps aviation operating units and the organizations which support them. Flying hour program costs for intermediate maintenance are financed from Fleet Air Type Commander resources under procedures permitting fund flow to the supporting Navy and Marine Corps organizations rather than to the aviation operating units. These organizations, therefore, provide aircraft intermediate maintenance to Navy and Marine Corps aviation units as a common service, without charge. Naval air stations that operate under industrial-fund procedures should provide base support including transient aircraft services to Fleet aviation units on a common-service basis, financed from their own military support resources/allotments.

★5. PAYMENT FOR MUNICIPAL SERVICES. Department of the Navy (DON) installations, including family housing, are entitled to be provided essential public services (e.g., police and fire protection) on the same basis as all other parties within the jurisdiction. That is, if the services are funded with state or local taxes and are provided to the non-Federal property owners and occupants at no additional cost, then such services are to be provided to the DON at no cost, even though the Government is exempt from state and local taxation. Installations where the Government has retained exclusive Federal jurisdiction may generally pay for such services. Where private or commercial users pay for services (e.g., trash collection, water and sewer), then the installation may be charged, using the same basis in calculating the fees. Fees must be based on the quantity of direct services actually received. No installation, including those where the Government has retained exclusive Federal jurisdiction, may enter into a contract for firefighting or security guard functions unless: (1) the contract is to be carried out at a location outside the United States (including its commonwealths, territories and possessions) at which the use of members of the armed forces for the performance of such functions would be at the expense of unit readiness; (2) the contract is to be carried out on a Government owned but privately operated installation; or (3) the original contract was entered into prior to 24 September 1983.

075122 SIGNIFICANT COSTS

When costs to the host for provision of support, other than costs for support functions designated to be performed on a common-service basis, are additional, identifiable, and can be segregated on a reasonable and meaningful basis, the determination of whether they are significant, and must be reimbursed, is to be made by the host. In general, additional, identifiable costs for recurring support provided by a host or supporting activity will be reimbursed unless the amount is less than $100 within a fiscal quarter, in which case the billing is considered to be uneconomical. This provision for waiver of reimbursement does not apply to stock fund transactions nor to the recovery of cost by the industrial fund.

075123 FUNDING GUIDE

The following table provides a funding guide for common-service support functions, administrative base support functions and additional special circumstances. Further guidance is contained in DOD 4000.19-R.

FUNDING GUIDE FOR SUPPORT AGREEMENTS BETWEEN DEPARTMENT OF THE NAVY ACTIVITIES[1]

DESIGNATED COMMON-SERVICE SUPPORT FUNCTIONS. Within the Department of the Navy, the following areas have been determined as areas of support which will be provided on a common-service basis:

1. Supply—General supply operations of receipt, issue, requisition processing, purchasing, procurement, warehousing, and household goods shipping administration (also see par. 075180)
2. Medical and Dental—Health care delivery services (also see par. 075132)
3. Civilian Manpower Management—Consolidated civilian personnel management services (also see par. 075130)
4. Fiscal—Functions of fiscal accounting, disbursing, and payroll
5. Troop Feeding—Operation of enlisted dining facilities and meals for enlisted members (also see par. 075152)
6. Local Transportation—Common bus and taxi service within the installation (also see par. 075131)
7. ★ Firefighting—Structural fire protection services, including training in fire protection and firefighting techniques. Fire watches are not included under structural fire protection services. (Also see pars. 037402 and 037403 for details regarding the "full absorption" method of charging indirect cost)
8. Common-Use Facilities—Maintenance and operation costs related to facilities used in common by both host and tenant, such as roads and walkways (also see par. 075131)
9. Preservation of Facilities—Cyclical maintenance and structural repair of facilities in the real property inventory of the host (also see par. 075121-1)

ADMINISTRATIVE BASE SUPPORT FUNCTIONS. Functions of general administration and base management which pertains to the entire installation generally are either deemed to be within the mission of the host or are not subject to reimbursement by a tenant because no meaningful basis exists upon which to determine cost for billing purposes. However, under circumstances permitting segregation of additional and significant cost to the host, a tenant may be charged for support on a cross-service basis. These functions include:

1. Command—Matters of command direction and policy coordination pertaining to the installation, including port control and air operations
2. Public Affairs—Dissemination of information, such as station newspapers or arrangements for special events for the public
3. Legal—Legal staff assistance within the installation (also see par. 075133 for responsibility for costs related to courts-martial)
4. Military Personnel—Coordination of general military training, career counseling, and consolidated military personnel reporting, such as personnel diaries
5. Law Enforcement—Police and security operations, such as base patrol, disaster control, and issuance of driver's licenses and installation identification (also see par. 075140)

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[1] Note: Support functions not identified specifically in this Funding Guide, such as utilities, are subject to reimbursement on the basis of criteria set forth in par. 075122.

6. Telecommunications—Common voice and record telecommunications, if individual bills are not received by the host, are considered nonidentifiable for billing purposes. Noncommon telecommunications costs which relate to tenant requirements are subject to reimbursement, such as tenant toll charges or special communications services and/or equipment (see par. 075202 for further detail on noncommon telecommunications costs)
7. Postal/Guard Mail—Provision of a postal facility and pick up and delivery of U.S. mail and guard mail to central locations within the installation
8. Personnel Support—Operation of consolidated installation support offices, such as travel, base locator, housing referral, and other services provided for the recreation and welfare of members

SPECIAL CIRCUMSTANCES IN SUPPORT RELATIONSHIPS. Within the Department of the Navy, special provisions for funding are applicable to the following areas of support:

1. Fire Protection
   a. Fire Alarm System—Provision and maintenance of a fire alarm system is a host responsibility (see par. 075131)
   b. Fire Marshal Inspection and Reporting—Evaluation of the operational capability of fire protection services by fire departments is a mission responsibility of the Naval Facilities Engineering Command which is accomplished by the geographic Engineering Field Divisions without reimbursement
   c. Fire Protection Engineering Surveys—Engineering surveys related to fire safety improvements is a Naval Facilities Engineering Command responsibility which is accomplished as part of the civil engineering service of the geographic Engineering Field Divisions

2. Automatic Data Processing (ADP)—Provision of ADP services or available but unused ADP resources on a sharing basis, when not within the mission responsibility of the provider, is subject to reimbursement for out-of-pocket costs. Examples of out-of-pocket costs include additional contract maintenance costs due to sharing of Government-owned ADP equipment, civilian overtime compensation, and consumable supplies. Compensation of civilians above the first line supervisory level and other costs of an overhead nature are not reimbursable when the providing activity is not operating under industrial-commercial or modified industrial-commercial procedures (also see par. 075371).
3. Accident Repairs—Repairs required as a result of accidents to Government-owned class 3 plant property assigned to tenants on a custody/loan basis is a funding responsibility of a providing activity which does not operate under an industrial fund charter. Under regulations governing operations of industrial fund activities, recovery of the cost of such repairs is required. See par. 075131-3c for guidance as to procedures for cost recovery.
4. Air Conditioning
   a. Central Air Conditioning—Cyclical maintenance and repair of central air-conditioning equipment which is installed and included in class 2 plant property of the host is a host funding responsibility.
   b. Individual Air-Conditioning Units—Cyclical maintenance and replacement, when required, of individual air-conditioning units installed and included in class 2 plant property of the host is a host funding responsibility. All costs of individual air-conditioning units acquired by a tenant are a tenant funding responsibility.

Section III: CONSOLIDATED SUPPORT ACTIVITIES

075130 CIVILIAN PERSONNEL OFFICES

1. SCOPE. This paragraph delineates budget responsibility for support of Consolidated Civilian Personnel Offices, industrial relations service support responsibility assigned to lead activities, and other personnel services provided across activity lines. Examples of these functions include wage surveys, position classification, personnel placement, and assignments in connection with appeals and grievance examiners and equal employment opportunity investigators.

2. BUDGET POLICY

a. General. Civilian personnel offices will be supported from resources available to the activity of which they are a part, or, in the case of independent offices, directly funded by their major claimant. The centralized civilian personnel services which they provide to other Department of the Navy activities will be on a nonreimbursable basis. This policy does not preclude reimbursement in accordance with any interservice support agreement for services provided to a non-Navy organization. The naval air stations co-located with naval air rework facilities (NARFs) are excepted from the general funding policy and will bill the NARF's for industrial relations services provided in their support.

b. Industrial Activities. When the servicing activity is an industrial fund activity or an activity operating under modified industrial accounting procedures, the cost of the services provided to other Department of the Navy activities will be funded from its military support resources and not billed to the customers as a component of overhead.

c. Ad Hoc Assignments. The nature of some civilian personnel functions requires the temporary services of personnel drawn on an ad hoc basis from various Department of the Navy commands and activities that may not be tasked with industrial relations area support. The salary of an employee relieved from regular duties for a temporary industrial relations support assignment is a funding responsibility of the parent activity of the employee. Incidental expenses, such as travel and per diem, that are incurred by the employee serving in an ad hoc capacity are reimbursable to the parent activity by the activity to which the employee is temporarily assigned, except for expenses incident to DOD-wide wage surveys. Incidental DOD-wide wage survey expenses are the funding responsibility of the parent activity inasmuch as lead activities, in this instance, are not performing a unique Department of the Navy mission.

075131 PUBLIC WORKS CENTERS

1. CIRCUMSTANCES. The Department of the Navy has many large installation complexes for which a public works center or a "lead" activity has mission responsibility to provide facilities operation and maintenance support to all co-located activities. Pearl Harbor, Norfolk, Yokosuka, and the Philadelphia Naval Base complexes are representative examples.

2. PURPOSE. This paragraph delineates basic rules for determining budgetary and reimbursement responsibility for facility maintenance and operation support provided by public works centers or public works "lead" activities. It also defines certain common-service functions and identifies the specific activities responsible for budgeting for these functions.

3. POLICY

a. Common-Service Facilities. The maintenance and operation costs related to the following facilities or services are the budgetary responsibility of a single activity in the complex:

1. facilities which provide access to, or service more than one shore activity, including roads, parking lots, walkways and grounds, and related protective drainage structures such as culverts, flumes, and ditches;
2. common bus and taxi service.

b. Utilities. Electricity, steam, water, natural and manufactured gas, and compressed air systems costs are initially financed by the public works activity. Customer activities budget and reimburse for utilities on the basis of the unit rate established by the public works activity for each type of utility.

c. Public Works Peculiar and Automotive Equipment. Maintenance and operating costs of public works peculiar equipment and automotive equipment including motor pool vehicles are initially financed by the public works activity. These costs are reimbursed by customer activities on the basis of user rates established by the public works activity. As a requirement of the regulations governing the Navy Industrial Fund operations of activities such as the Public Works Centers, the cost of accident repairs to equipment is included in user rates or is charged to the customer activity having custody of the equipment at the time of the accident. Public works activities that are not financed under industrial fund regulations do not include the cost of accident repairs to equipment in user rates. At such activities, the cost of accident repairs to equipment is absorbed in the command operating budget. However, when a private party is liable for damage to Department of the Navy equipment, the cost of accident repairs is recovered from the private party. Such collections applicable to repair work performed by industrial fund activities are deposited to the credit of the Navy Industrial Fund. The amounts recovered by nonindustrial activities are credited to the miscellaneous receipts account of the Treasury. The repair work may be performed commercially and payment for the cost of repairs made by the private party to the performing commercial activity in lieu of payment to the Government.

d. Real Property Maintenance and Repairs. The public works activity performs the real property maintenance and repairs subject to reimbursement on a job cost, fixed-rate, or fixed-price basis by the customer activity from its operating budget.

e. Local Household Moves. The cost of work in connection with the local moves that is performed by public works centers is reimbursable in accordance with the provisions of par. 075180. The cost of work such as packing, crating, unpacking, uncrating, and local hauling of household goods when performed by station forces of a public works "lead activity" is absorbed by the performing activity.

f. Railroad Systems

(1) Where Government Locomotives Are Part of System. The public works activity initially finances all railroad system maintenance and operating costs including Government locomotives and their crews. Costs will be recovered on the basis of established car-spotting rates. Separate rates will be established if the system includes both commercial switching and Government locomotives. Spotting and respotting required by consignee activities on a complex will be budgeted and funded for by the consignee.

(2) Where Government Locomotives Are Not Part of System. The public works activity initially finances all railroad system maintenance costs. Costs will be recovered on the basis of established car usage rates, i.e., based on an estimate of the total number of cars to be used related to the total estimated maintenance costs. Customers should be billed on a "car usage" rate basis similar to the "car spotted" rate basis. In cases where tracks are clearly being used and will be used over a sustained period of time by a single customer, direct billing of actual maintenance costs is authorized in lieu of establishing "car usage" rates. Sole-use customers must agree to direct billing before it is applied. In the absence of such agreement, "car usage" rates will be established and applied.

(3) Unutilized Track Maintenance. Where unutilized tracks are required to be maintained and remain the plant property of the public works activity, the cost of maintenance will be financed as a military support cost of the public works activity from appropriated funds provided by the management command.

g. Minor Constructon, Alterations, Improvements, and Major Repair Projects. Procedures and guidance for funding delineation determinations are covered in the current issuance of OPNAVINST 11010.20.

h. Other Engineering Support. Refuse collection and disposal, entomology, and custodial services are initially financed by the public works activity. A customer activity will budget for and reimburse the public works activity from its operating budget on a developed unit, job, or fixed-rate basis. If a public works lead activity (not industrially funded) is assigned the firefighting mission, the fire alarm system costs will be funded by the operating budget of the lead activity.

075132 MEDICAL AND DENTAL ACTIVITIES

1. SCOPE. This paragraph describes the financial responsibility for operation and maintenance of all medical and dental units/facilities not under the command of the Commander, Naval Medical Command (NAVMED) (see pars. 035125-035134).

2. DEFINITIONS

a. Organizational Component. The term "organizational component" denotes an office, command, or Headquarters, U.S. Marine Corps.

b. Shore Activities. The term "shore activity" includes both Navy and Marine Corps shore activities including those under the command of fleet commanders, but does not include units of the operating forces.

3. BUDGET POLICY

a. General. Organizational components are responsible for budgeting and funding costs of operation and maintenance of medical and dental departments and other medical organizational units at shore activities under this command (see par. 035127). Except as specified in subpar. e, these costs include, but are not limited to, all costs of medicines and related supplies, civilian personnel, all technical and nontechnical equipment, and local ambulance service when authorized.

b. Activities Other Than Industrial-Commercial. At a shore activity not operating under the Navy Industrial Fund (NIF), funds for costs cited in subpar. a are provided the shore activity by or through the organizational component having command responsibility. Support provided to authorized personnel of tenant or contiguous activities will be on a common-service (nonreimbursable) basis.

c. Industrial-Commercial Activities. At an industrial-commercial activity, funds for costs cited in subpar. a are financed initially by NIF, except costs of equipment identified as plant property in accordance with par. 036004-3, which are paid from the operation and maintenance or procurement resources available to the organizational component having command responsibility. Additionally, costs for the care of military and civilian personnel of tenant activities are considered as an expense to the military support resources of the industrial-commercial activity without reimbursement from the organization receiving the service.

d. Naval Reserve Officer Training Corps Midshipmen Medical Costs. The Chief of Naval Education and Training (CNET) is responsible for the Naval Reserve Officers Training Corps (NROTC) program, including coordination of NROTC medical matters. CNET is also the responsible organizational component for funding NROTC midshipmen medical costs when support is not available from medical treatment facilities of the Armed Forces on a common-service basis.

e. Exceptions. Excepted from the costs in subpars. b and c are the following:

1. the cost of ambulance procurement which is a budgeting and funding responsibility of the Naval Facilities Engineering Command,
2. the cost of meals which are furnished from the general mess.

f. Reimbursable Guidance

(1) Naval Medical Facilities - Non-Department of Defense (non-DOD) Patients and DOD Dependents. The cost of providing inpatient and outpatient care in Navy medical facilities to non-DOD patients is reimbursable at rates which are based on recovery

of full cost. The amounts collected are credited on a pro rata basis established by the Assistant Secretary of Defense (Comptroller) to the current Operation and Maintenance, Navy; and Military Personnel, Navy appropriations as reimbursements for current operating costs and to the miscellaneous receipts account of the Treasury as a recovery of investment cost. Dependents of uniformed personnel who are authorized care at Government expense are charged a nominal sum daily for inpatient care pursuant to 10 U.S. Code 1078(a), as amended. These amounts are credited as reimbursements to the operating funds of the medical facility providing the care. The rates and reimbursement procedures for these charges are issued annually by a NAVMED Notice.

(2) Nonnaval Medical and Dental Care—Active Duty Members

(a) General Policy. Navy and Marine Corps personnel who incur disease or injury while on active duty (including active duty for training and inactive duty for training) and, under the North Atlantic Treaty Organization-Status of Forces Agreement (NATO-SOFA), naval members of NATO-SOFA nations stationed in or passing through the United States in connection with their official duties may receive reimbursement or settlement for claims for certain medical or dental care provided in civilian or non-Navy/Federal medical facilities. DON policy requires that such non-Federal care should generally be utilized only when Navy or other Federal medical and/or dental facilities (e.g., Army, Air Force, Public Health Service, and Veterans Administration) are not available. While nonemergency care obtained from non-Federal sources may be provided at Navy expense only when advance authorization is obtained, in emergency situations, when the need or apparent need for medical or dental attention is such that time does not permit obtaining the required authorization in advance, such non-Federal care may be obtained without prior authorization. In either case, a Statement of Civilian Medical/Dental Care (NAVMED Form 6320/10) is required, unless appropriate approving officers already possess sufficient information to waive the form.

(b) Administration-Authorization. Naval district commandants, via their respective district medical or dental officers, act as approving officers to authorize procurement of civilian and/or non-Federal care and to adjudicate claims. However, in overseas areas, commanding officers are authorized to obtain such care for members under their commands and to effect immediate payment therefor. When ships are in NATO-SOFA ports, commanding officers should obtain, if at all practicable, required care from military facilities of the host country when DOD facilities are not available. For further information regarding types of care which may be authorized, requests for authorization and/or information concerning preparation, approval, or disapproval of claims, see the current issuance of NAVMEDINST 6320.32.

4. AUTHORITY AND RESPONSIBILITY OF THE SURGEON GENERAL OF THE NAVY. The authority and responsibility of the Surgeon General of the Navy with respect to technical control and supervision of all medical and dental care in the Navy are not modified or reduced by the instructions contained in subpar. 3. The Naval Medical Command exercises technical control over all technical medical equipment, including ambulances, and in the exercise of this control approves the procurement of such items for use.

075133 LEGAL OFFICES

1. GENERAL. Legal Service Offices and the detachments will establish normal host/tenant relationships with the activity where they are located. The services provided by the consolidated legal offices to the supporting activity as well as other Department of the Navy activities will be on a nonreimbursable basis.

2. COURTS-MARTIAL. This paragraph delineates financial responsibility for costs incurred in support of courts-martial, courts of inquiry, and certain investigations convened under the provisions of the current issuance of JAGINST 5800.3, Manual for Courts-Martial, United States.

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a. Travel, Per Diem, and Fees

(1) Navy and Marine Corps Personnel. Except for members of the Navy-Marine Corps Trial Judiciary when acting as military judges of a special or general court-martial, the cost of travel and per diem (related to the conduct of courts) for Navy and Marine Corps military personnel and civilian employees of the Department of the Navy will be charged to the operating budget which supports temporary additional duty travel for the Navy or Marine Corps convening authority.

(2) Military Judges. The cost of travel and per diem for members of the Navy-Marine Corps Trial Judiciary, when acting as military judges of a special or general court-martial, will be charged to the operating budget of the Judge Advocate General.

(3) Other Personnel. The cost of mileage and fees for civilians other than employees of the Department of the Navy (also see par. 075183) will be charged to the operating budget which supports the Navy or Marine Corps convening authority.

b. Services and Supplies

(1) Convening Authority. The resources of the convening authority will be charged with the costs of services or supplies provided by an activity in support of courts, as follows:

1. in-house costs which are direct, out-of-pocket, identifiable, and which total $100 or more in a calendar month;
2. costs which arise under contracts which are entered into in support of the courts.

(2) Other. Costs not chargeable to the convening authority will be absorbed by the activity which provides the services and/or supplies.

3. FOREIGN COURTS AND TRIBUNALS. The payment of counsel fees, court costs, bail, and other expenses incident to representation of persons subject to the Uniform Code of Military Justice before foreign tribunals will be in accordance with the provisions of par. 04030820.

075134 PRINTING SERVICES

1. GENERAL. At large Department of the Navy installation complexes, Regional Printing Offices have been established. These printing offices are industrial fund activities and the supporting activity will bill these offices for facilities and services provided within the guidance of par. 075121. All services provided by the printing offices will be charged to the customers in accordance with industrial fund regulations.

2. COGNIZANCE SYMBOL "I" PRINTED MATERIAL

★a. Cognizance Symbol 1I. Cognizance symbol 1I material, consisting of printed forms and placards, is financed by the Department of the Navy Stock Fund (DONSF). Cognizance symbol 1I items are charged to the user in the same manner as other DONSF material.

b. Cognizance Symbol 0I. Cognizance symbol 0I material consists of publications which include manuals, books, catalogs, stock lists, directives, recordings, decals, and binders. These items, while not carried in an inventory account, are susceptible to centralized inventory control procedures. They are issued initially to users without requisitioning action. Subsequent user requirements are requisitioned in the same manner as any other material but without charge to the requisitioner. Costs are borne by the organization responsible for originating the items.

075135 NAVY OFFICES OF PATENT COUNSEL

1. AUTHORITY. Pursuant to provisions of 10 U.S.C. 5150 and subsequent implementing directives, the Office of Naval Research (ONR) has been assigned responsibility for the Navy Patent Program, comprising the supervision, administration, and control of all activities within or on behalf of the Department of the Navy relating to patents, inventions, trademarks, copyrights, royalty

payments, and matters connected therewith. Accordingly, ONR is authorized to establish such offices in the systems commands and other naval activities as ONR shall deem necessary to carry out these functions, to appoint qualified persons to serve as patent counsel, and to promulgate requisite implementing directives.

2. GENERAL. Inasmuch as ONR establishes Offices of Patent Counsel necessary to serve the requirements of the Navy, a host-tenant relationship exists when an Office of Patent Counsel is established at an activity. Although ONR is assigned support responsibility for Offices of Patent Counsel, the cost of support services is relatively small. Additionally, the patent staff serves as support staff to the host activity without charge. Accordingly, exceptions to general host-tenant policy are established for Offices of Patent Counsel as specified in subpar. 3.

3. FUNDING POLICY

a. Host Support. The host activity will provide appropriate office space to permit patent personnel to effectively perform their mission. Additionally, the host activity will provide all other support services on a common-service basis, as normally would be provided to all other personnel under the direct ceiling control of the activity, such as office supplies, use of available general purpose administrative office equipment, and accounting, personnel, disbursing, travel, and procurement services.

b. Tenant Costs. Staffing requirements for each Office of Patent Counsel are determined by and budgeted for by ONR. Accordingly, ONR provides for the costs of salaries and related benefits. In addition, ONR funds expenses peculiar to the patent program, such as travel, patent publications and journals, legal books, authorized patent law courses and seminars, and patent drafting services.

Section IV: ADMINISTRATIVE/FUNCTIONAL FUNDING ASSIGNMENTS

★075140 SECURITY FORCES

1. GENERAL. The policy for employment of Naval Security Forces ashore and afloat is contained in the current issuance of SECNAVINST 5530.4. Marine Security Forces (Atlantic and Pacific) are operating forces of the Marine Corps consisting of security forces at Marine Corps Security Force Battalion (MCSFBN) Headquarters, Navy shore activities and complements on board naval vessels. Budgeting and funding for the costs of security forces will be in accordance with the following guidance.

2. MARINE CORPS SECURITY FORCE BATTALION HEADQUARTERS. MCSFBN Headquarters (Atlantic and Pacific) are administered under the direction of the Fleet Marine Force (FMF) commander. Marine Corps appropriations will support all costs associated with the mission of the MCSFBN Headquarters components, including training, equipment, supplies, and travel (except as noted below). The Navy activities at which the MCSFBNs are located are responsible for the costs of all designated common service and administrative base support functions normally provided under a host/tenant agreement (see par. 075123). Operational deployments of MCSF Fleet Anti-terrorism Security Teams (FASTs) occur on the orders of the Fleet Commander in Chief (FLTCINC) via the FMF Commander. FLTCINCs will support the transportation costs associated with MCSFBN FAST deployments in the same manner that they support Marine Corps forces deployed for contingency operations and training/readiness (see par. 075182). Deployed FASTs which are assigned to Navy activities will be subject to the guidance contained below.

3. MARINE SECURITY FORCES ASSIGNED TO NAVY ACTIVITIES. Marine Security forces assigned to Navy activities (i.e., Marine barracks, MCSF companies, Marine detachments (afloat), and FASTs) operate under direct operational control of the commanding officer of the installation or ship to which assigned. These forces are an integral part of the Navy command and do not fall within the purview of guidance pertaining to host/tenant relationships or intraservice support. Funding responsibilities are delineated in subpars. a and b.

a. Navy Appropriations. Support of Marine security forces serving at Navy activities will be from Navy appropriations funding the operations of the command of the activity where the forces are providing security. This support includes initial issues, replacement, and upkeep of furniture, furnishings, and equipment for barracks, quarters, and administrative offices on Navy plant account occupied by Marine security forces; all cyclical maintenance, repair, and utility charges for land, buildings and structures; counsel fees and other costs incident to representation in civil and criminal proceedings in foreign courts and foreign administrative agencies; operation and maintenance of vehicles; travel when in the performance of the activity mission; all other costs associated with activity mission accomplishment except as noted in subpar. b.

b. Marine Corps Appropriations. Marine Corps appropriations will support travel in connection with assignment to and detachment from Navy duty station, (except for travel of the FASTs, which are to be funded by the FLTCINCs as noted above); travel related to Marine Corps directed training/administrative/emergency leave requirements; rations, clothing, individual equipment, arms (to include individual and crew served weapons common to the Marine Corps); ammunition, lubricants, and cleaning and preserving materials for Marine Corps furnished weapons; magazines and newspapers, etc., office machines and/or equipment peculiar to or required predominantly for use in Marine Corps administration.

4. CIVILIAN GUARD FORCES

a. General. The command assigned responsibility for control of a consolidated civilian guard force will fund the total cost of the consolidated guard force on a common-service basis, i.e., without reimbursement except as indicated in subpars. b and c.

b. Nonindustrial Activities. Guard forces under the control of a designated nonindustrial activity will be funded by this controlling activity as a normal cost of operation and maintenance in accordance with budgetary instructions of the appropriate organizational components of the Navy Department or Headquarters U.S. Marine Corps. In the case where guard forces are provided by a nonindustrial activity for the security of an industrial-commercial activity, the industrial fund of the supported activity will be charged and a funded reimbursable order (Work Request (NAVCOMPT Form 140)) provided to the controlling nonindustrial activity.

c. Industrial Activities. Guard forces under the control of a designated industrial-commercial activity will be charged to NIF for that portion of the service provided to the industrial-commercial activity itself. Funding required to provide guard forces for the security of nonindustrial activities designated as the responsibility of a controlling industrial-commercial activity will be included in the military support program of the office, or command operating the industrial-commercial activity. Consistent with the funding policy in subpar. b, where guard forces are provided by an industrial-commercial activity for the security of another industrial-commercial activity, the industrial fund of the supported activity will be charged.

075141 REAL/PERSONAL PROPERTY DISPOSAL PROGRAMS

1. EXCESS AND SURPLUS PROPERTY

★a. Definitions

(1) Excess Property. The term "excess property" as used herein means real property and related personal property which is in a caretaker or idle status, which is not retained for mobilization purposes, and which has been reported to the Naval Facilities Engineering Command as unnecessary to the needs of the cognizant organizational component (see par. 035476-7 and 8).

(2) Surplus Property. Surplus property is excess property declared to be unnecessary to the needs of the Federal Government (see par. 035476-19).

(3) Financial Responsibility. Financial responsibility means responsibility for funding costs associated with excess and surplus property, such as:

1. costs for care, preservation, repair, handling, protection, and maintenance;

2. costs for taxes, authorized payments in lieu of taxes, rents, and insurance premiums.

b. Budget Policy. The organizational component that had responsibility for such costs immediately prior to the designation of the property as excess property will continue to bear financial responsibility until the property is reassigned to another organizational component or military department, transferred to another Federal agency, or until the Government's interest in the property is terminated. However, when excess property which has been listed to General Services Administration (GSA) is not transferred or disposed of within 12 months of the date it was officially listed, responsibility for the costs is assigned as follows:

1. subpar. a(3) item 1—to be assumed by GSA on the first day of the succeeding quarter of the fiscal year;
2. subpar.a(3)item 2—to continue to be borne by the organizational component until GSA effects transfer or disposal of the property.

c. Government-Wide Regulations. See the Federal Property Management Regulations of the General Services Administration, Part 101-47, which sets forth Government-wide regulations concerning the management of excess and surplus real property and related personal property.

2. DISPOSAL OF PERSONAL PROPERTY AND RECYCLABLE MATERIALS

a. General. It is the policy of the Department of Defense that excess personal property shall be disposed of in a manner that ensures maximum use to satisfy valid requirements, permits authorized donations, and minimizes the need for abandonment or destruction. Navy and Marine Corps Property Disposal Programs are integrated under the Defense Logistics Agency (DLA). DLA assumes total management responsibilities for the DOD Property Disposal Service with the exception of a few residual functions which are retained by the Military Services.

b. Funding and Reimbursement Policy

(1) Property Disposal. The property disposal program is funded by appropriated funds without reimbursements from sales proceeds. See par. 04060610 regarding the disposition of property disposal proceeds. Expenses directly related to the disposal process are classified and reported for budget and management purposes only (see par. 024601-6).

(2) Scrap Metal. A general provision in the current DOD Appropriation Act stipulates that funds shall not be used for the operation, acquisition, or construction of new facilities or equipment for metal scrap baling or shearing, or for melting or sweating aluminum scrap without specific DOD approval (see Appendix A).

★(3) Revolving Funds. Stock fund and working capital funds established pursuant to 10 U.S.C. 2208 provide that proceeds from the disposal of stock items and of industrial fund scrap, less expenses, shall be credited to the operating capital of such funds.

(4) Recyclable Materials. Pursuant to 10 U.S.C. 2577, a program is provided for the sale of recyclable materials, as defined in OPNAVINST 5090.1 and MCO P-1100.8, and for the operation of recycling programs at military installations. Proceeds received from the DLA, Defense Property Disposal Service (DPDS) are deposited to an installation level account under the Budget Clearing Account (Suspense), 17F3875. These funds, which represent the total revenues from the sale of recyclable materials, will be utilized as follows:

1. to reimburse operation and maintenance expenses of the recyclable program, as required during a year, initially charged to DON appropriations or funds;
2. if proceeds received exceed expenses of operating the recyclable program and the installation has a qualifying recycling program as defined in OPNAVINST 5090.1 or MCO P-11000.8, the remaining funds may be utilized as follows:

(a) not more than 50 percent of the remaining funds may be used to finance projects for pollution abatement, energy conservation and occupational safety and health activities. To the extent that these funds are available, appropriated funds may not be budgeted for such expenses. In addition, the cost of these projects may not exceed 50 percent of the maximum amount authorized for a minor construction project;

(b) at least 50 percent may be transferred to the nonappropriated morale and welfare accounts of the installation to be used for any morale and welfare activity;

★3. installation-level balances may accumulate from 1 year to another; however, if the balance at the end of a fiscal year exceeds $2 million, the amount in excess of this amount will be transferred to the miscellaneous receipts account.

★c. Source Documents. In addition to the references already provided, further information, definitions, and guidance relating to the disposal of personal property and the production of lumber and timber products, may be found in pars. 035475 through 035491, and the current issuance of OPNAVINST 5090.1 and MCO P-11000.8.

075142 PLANT PROPERTY IN AN INACTIVE STATUS

1. DEFINITIONS

a. Plant Property. Plant property (see pars. 036002-1 and 036004) in an inactive status is that in a caretaker, maintenance, or partial maintenance status, while retained for mobilization purposes as follows:

1. inactive real property—classes 1 and 2 plant property,
2. inactive equipment—classes 3 and 4 plant property.

b. Organizational Component. The term "organizational component" as used in this paragraph, includes offices and other commands, and headquarters exercising command over shore activities, including Headquarters, U.S. Marine Corps and the Commander, Military Sealift Command.

2. BUDGET POLICY

a. Funding of Preservation, Repair, and Maintenance. The funding responsibility for the cost of preservation, repair, and maintenance of plant property in an inactive status is assigned as follows:

1. inactive real property—the organizational component which funds the activity holding the plant account (exclusive of plant property in Industrial Reserve Plants, which is a responsibility of the organizational component retaining control thereof);
2. inactive equipment—the organizational component which would have control of the equipment upon its activation;
3. services provided by another activity—receiving activity to reimburse performing activity for additional costs incurred in inactive plant property preservation, repair, maintenance or caretaker services provided to one activity by another if such costs are readily identifiable and significant.

b. Interim Use of Plant Property. Additional (unbudgeted) costs resulting from authorized interim use of inactive plant property will not be an expense to the owner unless such expense is mutually agreed to by the owner and user.

075143 MILITARY LAND UTILIZATION PROGRAMS

★1. LUMBER AND TIMBER SALES. Title 10 U.S.C. 2665 provides that the operation and maintenance expenses incurred during the production and sale of lumber and timber products may be reimbursed from lumber and timber sales proceeds. See pars. 024061-6 and 035480 for the classification and nature of the reimbursable expenses.

2. AGRICULTURAL LEASES. Funds received from a lease of land for agricultural or grazing purposes may be retained by the activity having control of the property to cover the administrative and program management expense of such leases. Title 10 U.S.C. 2667 provides legislative authority for the agricultural and grazing leasing programs.

075144 AWARDS

1. GENERAL. The Navy Incentive Awards Program is designed to encourage civilian and military personnel of the Department of the Navy to participate in the common task of improving the efficiency and economy of Government operations. Military decorations and awards are for the purpose of publicly recognizing and rewarding extraordinary, exceptionally meritorious, or conspicuously outstanding acts of heroism and other acts

or services which are above and beyond that normally expected and which distinguish the individual or unit among those performing similar acts or services. The circumstances under which cash and salary increase incentive awards are made are described in the current issuance of SECNAVINST 5305.2 and OPNAVINST 12000.14. Circumstances under which military decorations and awards are made are described in the current issuance of SECNAVINST 1650.1. The policy on trophies and similar devices is contained in the current issuance of SECNAVINST 3590.4.

2. FUNDING POLICY

a. Monetary Awards. Cash awards for military and civilian personnel and salary increase for civilian employees are chargeable to funds available for operation of the activity to which the employee or member is assigned except in instances when such awards accrue from ideas adopted outside the local activity. The provisions of subpars. (1) through (3) apply to cash awards in such instances.

(1) Adoptions Within the Department of the Navy. When an idea not related to general distribution material has been adopted locally and is subject to additional cash award due to adoption by other Department of the Navy (DON) activities (including the Operating Forces), each additional adopting activity is responsible for funding the award from its operating resources in an amount determined to be appropriate by the adopting activity. Payment to the employee or member will be made by the civilian payroll office of the employing activity. Cash awards accruing from ideas adopted by revisions to general distribution materials, such as manuals, publications, regulations, and instructions, will be funded from operating resources available to the office, command, or Headquarters, U.S. Marine Corps, as appropriate, which approves the award.

(2) Adoptions Within the Department of Defense. When an idea of a DON employee or member is subject to a cash award and is adopted by another Department of Defense (DOD) component, the organization which adopts the idea is responsible for payment of the award. The activity to which the employee or member is assigned requests authority to cite appropriate funds for payment of the award from the adopting DOD component. When DON adopts an idea originated within another DOD component and it is subject to a cash award, payment will be made from operating funds available to the activity, office, command, or Headquarters, U.S. Marine Corps, as appropriate, which approves adoption of the idea.

(3) Adoptions Within Federal Departments. When an idea of a DON employee or member is subject to a cash award and is adopted by a non-DOD Federal department or agency, the activity to which the employee or member is assigned will request payment from the adopting organization in order to effect payment to the individual from a single source. When DOD adopts an idea originated within another Federal department and it is subject to a cash award, payment will be made from operating funds available to the activity, office, command, or Headquarters, U.S. Marine Corps, as appropriate, which approves adoption of the idea.

b. Exception. Personnel whose salaries are paid from nonappropriated funds are precluded by statute from receiving cash awards from appropriated funds.

c. Military Decorations, Awards, and Trophies. The cost of military decorations, awards, trophies, and similar devices is chargeable to funds available for operation of the command having authority to make the presentation.

075145 REWARDS

1. AUTHORITY. Pursuant to statutory authority (10 U.S.C. 7209) the Secretary of the Navy may, out of any appropriation made for the purpose, provide for payment of monetary rewards for information leading to the discovery of missing naval personnel or property or to their recovery. The Secretary has delegated to the Comptroller

authority to authorize payment of rewards. Requests for authority should be forwarded to the Comptroller via the Commander, Navy Accounting and Finance Center. The Comptroller has further delegated to commanding officers this authority to authorize payment of rewards for specific categories listed in par. 046380. Activities desiring to offer rewards for items not listed therein should submit their requests to the Comptroller for consideration of approval action. Payment of a reward is limited to an amount not to exceed $500 in any one case. Normally, the amount of the reward is determined locally in consideration of the value of the property and a reasonable incentive leading to its recovery.

2. FUNDING. Payment of rewards for items listed in par. 046380 will be in accordance with the provisions contained therein. The cost of rewards for items not listed therein will be the funding responsibility of the cognizant office or command of the activity requesting the authority for payment.

075146 SOLATIA

1. GENERAL. In certain countries, particularly in Orient, the custom of solatia gifts provides that an appropriate floral, fruit, or token money gift will be made to the victim or his family for injuries, death, or property damage. Accordingly, when the United States is a guest in a sovereign country, it has been determined that the local custom will be adhered to and solatia payments will be provided to foreign nationals for incidents involving United States forces personnel or Department of Defense civilian employees. Determinations of circumstances and guidelines for the administration of payments are normally contained in instructions issued by the approrpiate United States military commander in the applicable country.

2. BUDGET POLICY. Within the general provisions of the appropriation act, solatia payments are considered to be an operating expense. Costs normally will be chargeable to the operation and maintenance appropriation supporting the activity to which the involved member was assigned at the time of the incident incurring the liability.

075147 LONG-TERM TRAINING AND EDUCATION FOR CIVILIAN EMPLOYEES

1. SCOPE. This paragraph sets forth financial responsibilities for long-term training and education programs for civilian personnel of the Department of the Navy which require headquarters management decisions for selection, approval, and funding. Although "long-term" training and education refers to any off-the-job training and education lasting over 120 consecutive working days, not all long-term educational endeavors are centrally managed.

2. BUDGET POLICY

a. General. It is Department of the Navy policy to assure that adequate resources are provided to meet priority needs for long-term training and education of civilian employees in either Government or non-Government facilities. These needs are assessed on the basis of projected manpower requirements in selected professional fields, where after-hours, part-time, or short-term programs cannot be used in lieu of long-term training. When assigned to long-term centrally managed training and education, trainees continue to be employees of the command which arranged for their participation in the program, and upon completion of the training, are entitled to return to either their same position or one of equivalent or greater responsibility and scope. Program funds provide for individual expense for:

1. tuition and related fees (excluding marticulation fees) associated with attendance at courses or training programs; and
2. travel, per diem, and incidental expenses, including transportation and/or storage of household goods when required. Training, whether long-term training or not, is considered to be temporary duty. Allowances are therefore different than those for a permanent change of station. Reference the Joint Travel Regulations, Volume 2, Chapter 4, pars. C4502 and C4552 for additional policy guidance.

b. Central Pool. A central pool of funds under the cognizance of the Navy Civilian Personnel Command (NCPC) is set aside annually to provide for long-term training and education requirements which are centrally controlled. For Navy employees, these funds are budgeted in Five Year Defense Program (FYDP) 8 (Training) under the Operation and Maintenance, navy (O&MN) appropriation and FYDP 6 under the Research, Development. Test and Evaluation, Navy appropriation. For Marine Corps employees, funds are appropriately budgeted in FYDP 8 under the appropriation Operation and Maintenance, Marine Corps. In addition to specialized training and education requirements, pool funds are utilized for broad career development, such as participation in staff and service schools, congressional fellowships, etc.

c. Other Central Programs. Other NCPC centrally controlled programs include Civilian Personnel/EEO Management Courses, the Civilian Personnel and EEO Management Career Program, the Financial Management Civilian Career Program, the Contracting Career Program, and the Logistics Career Program.

3. RESPONSIBILITIES. Under the policy direction of the Assistant Secretary of the Navy (Manpower and Reserve Affairs), the Chief of Naval Operations and the Commandant of the Marine Corps are responsible for evaluating their respective civilian work force training and education requirements and ensuring adequate budgeting and funding procedures to meet these needs.

4. SOURCE DOCUMENT. Additional policy and guidance is contained in the current issuance of OPNAVINST 12000.14.

075148 ACTIVE NAVAL AND RESERVE FORCE SHIPS AND CRAFT (OPERATING COSTS)

1. SCOPE. This paragraph delineates financial responsibility for operation and maintenance of active naval and Reserve Force ships and craft as listed and defined in the current issuance of SECNAVINST 5030.1.

2. DEFINITIONS

a. Ships and Craft. Ships and craft are as categorized and described in the current issuance of SECNAVINST 5030.1.

b. Naval Reserve Force Ships and Craft. Naval Reserve Force (NRF) ships and craft may be categorized and defined in accordance with the current issuance of SECNAVINST 5030.1. Although designated as NRF, administrative and operational control remains with the appropriate Fleet Commander.

c. Boats. Boats are water-borne noncommissioned craft, not designated in the current issuance of SECNAVINST 5030.1 as craft, capable of independent operation; may be assigned to a ship, shore activity, command, or fleet operating unit.

3. BUDGET POLICY

a. General. In general, all operation and maintenance costs associated with active fleet ships, craft and boats will be budgeted and funded in the Operation and Maintenance, Navy (O&MN) appropriation by the command or activity to which assigned. Similarly, all operation and maintenance costs associated with Naval Reserve ships and craft will be budgeted and funded in the Operation and Maintenance, Navy Reserve (O&MNR) appropriation by the command or activity to which assigned.

b. Operation and Maintenance. Operation and maintenance costs, including repairs, labor, fuel, lubricants, and other stock account material required for daily operation of ships, craft, and boats will be budgeted for and funded by the command or activity to which assigned. This includes jointly used ships and craft which are normally assigned to the most dominant user having facilities and personnel available for maintenance. Activities or units having boat allowances will budget for, fund, and administer the operation and maintenance costs of boats assigned under the allowance. The Fleet Commanders in Chief will budget for and fund (through appropriate type commanders) the operation and maintenance costs of those ships under their administrative and operational control. All operation and maintenance costs, including overhauls and major repairs discussed in subpar. c, will be funded by the fleet to which the ship is permanently assigned, including those ships temporarily assigned to another fleet having operational responsibility.

c. Overhauls and Major Repairs

(1) Fleet Ships and Craft. Overhauls and major repairs for ships and craft assigned to the fleets or subordinate commands and activities will be budgeted and funded by the Fleet Commander in Chief.

(2) Shore Command Service Craft. Overhauls and major repairs to service craft assigned to a shore command or activity, not under fleet command, will be budgeted for and funded by the activity or command to which the craft are assigned.

(3) Boats. Overhauls and major repairs to boats, exclusive of the centrally administered boat rehabilitation program of the Naval Sea Systems Command, will be budgeted and funded by the parent command of the activity or unit having the allowance for the boat. The centrally administered boat rehabilitation program covers only those boats which have been turned in and/or are not on an activity allowance.

d. Activations and Inactivations. Activations and inactivations of all ships and craft will be budgeted, funded, and centrally administered by the Naval Sea Systems Command.

e. Alterations

(1) Equivalent-to-Repair and Forces Afloat. Alterations-equivalent-to-repair and alterations designated to be accomplished by forces afloat are both considered operational costs to be budgeted for and funded pursuant to subpar. c.

(2) Other. Major items of equipment for alterations of ships, craft and boats are financed in the investment appropriations. Installation of the equipment associated with those alterations is funded by the Naval Sea Systems Command under the O&MN and O&MNR appropriations.

075149 PORT SERVICES

1. SCOPE. Port services consist of ships' utilities, pilotage, wharfage, docking and undocking, garbage removal, removal of oil spills and sludge, brow services, tolls and related expenses for transit of canals and inland waterways. These services are provided in Navy and non-Navy ports located in CONUS and overseas.

2. FUNDING POLICY

a. General. The cost of port services is classified into three general categories: ships' utilities which are funded by the respective Fleet Commander in Chief's centrally managed operating budget; all other port services furnished and funded by a naval activity as a mission responsibility; and commercial charter and hire services which includes all port services listed above except utilities which are funded by the type commander of the serviced fleet ship. For naval activities mission funded for port services (excluding utilities) which cannot be initially satisifed with indigenous assets, the cost of contractual port services (tugs, pilots, etc.) is also chargeable to that activity's station operating funds.

b. Definitions

(1) Navy Port. A port where there is a U.S. Navy activity which has indigenous port services assets, e.g., tug, pilot, etc., and is mission funded to provide such port services.

(2) Non-Navy Port. A port where the on-site U.S. Navy activity/representative does not have indigenous port service assets or a port where there is no U.S. naval activity/representative.

c. Commercial Charter and Hire Services. This category of service is provided at non-Navy ports and will be funded by the respective type commander by the most effective method deemed apropriate, e.g., ships OPTAR or request for control procurement.

d. Exception. Ships that are undergoing overhaul, repairs, conversion, or constructon and visiting units of friendly foreign navies are excepted from the general funding policy in subpar. a. Port services in these situations will be funded as follows:

1. from overhaul, repair, conversion, or construction funds for U.S. Navy ships undergoing overhaul, repair, conversion, or construction;
2. in accordance with procedures as specified in pars. 035950 and 075243 for port services provided to friendly foreign navies.

e. Oil Spill and Hazardous Substances Cleanup. The cost for cleaning up spills of oil and hazardous substances will be funded as follows:

1. operating resources of a shore activity causing the spill,
2. type commander's resources for ships when in U.S. Navy controlled ports,
3. operating target of ship when in non-Navy controlled United States or foreign ports.

3. SOURCE. Additional guidance concerning cleanup of oil spills and hazardous substances is contained in the current issuance of OPNAVINST 6240.3.

075150 MOBILE UTILITY SUPPORT EQUIPMENT

1. GENERAL. Navy and Marine Corps activities on occasion are required to provide emergency and unplanned utility support on an interim basis. To meet this requirement when existing capacity is inadequate, the Mobile Utilities Support Equipment (MUSE) Program has been established. This program includes equipment for electric power and steam generation. Under certain circumstances MUSE may be provided to users outside the Department of the Navy (DON).

2. BUDGET POLICY

a. General. It is the DON policy to purchase and maintain an inventory of MUSE to meet anticipated needs for emergency applications.

b. Naval Facilities Engineering Command Responsibility. Costs of acquisition, major overhaul, special testing, storage, and transportation to and from using activities are the budgetary responsibility of the Naval Facilities Engineering Command (NAVFAC) under accounts normally available for such costs. However, when a major overhaul is performed on equipment that has been used by an industrial-commercial activity, the cost of the overhaul will be distributed between the industrial-commercial activity and NAVFAC on a time-used basis. The industrial-commercial activity will charge its share of the cost to the industrial fund.

c. User Responsibility. Operating expenses of MUSE are the budgetary responsibility of the using activity, ship, or station. This covers operating costs such as electric power, fuel, lubricants, direct labor hours worked, material and parts consumed. In addition, this covers costs of installation and hookup including civilian personnel required to set up the equipment and to train operating personnel, repairs required to ensure that the equipment meets design specifications, replacement of consumed spare parts, adequate security and preparation for shipment upon deployment termination.

d. Exception. When the installation of MUSE is accomplished in conjunction with a lease/construction project for a complete and usable facility, the installation cost will be chargeable to the lease/construction project or to the major claimant having lease/construction project sponsor responsibility as applicable.

3. NON-DON USERS. When MUSE is provided to non-DON Federal users, the costs delineated in subpar. 2c plus the cost of transportation to and from the using activity and inspection and testing are the financial responsibility of the user. Additionally, when MUSE is provided to non-Federal Government instrumentalities, the users are required to obtain insurance covering physical damage to the equipment and public liability for bodily injury and damage to property of third persons.

4. SOURCE DOCUMENT. For further information on responsibilities and procedures of MUSE support, see the current issuance of OPNAVINST 11300.5 and NAVFACINST 11310.2.

075151 CUSTOMS, IMMIGRATION, AND AGRICULTURAL INSPECTIONS

1. GENERAL. The Department of the Navy is financially responsible for the cost of travel and overtime incurred by customs, immigration, and agricultural inspectors who perform examinations of ships and aircraft outside duty hours and/or at locations other than ports of entry or customs stations. The cost of such overtime and travel will be funded as delineated in subpar. 2.

2. FUNDING

a. Navy Ships Other than Military Sealift Command. Overtime and travel costs incurred in connection with inspection will be charged to the operating budget available to the applicable type commander for the ship.

b. Military Sealift Command Ships. Overtime and travel costs incurred in connection with inspection will be charged to the Military Sealift Command Navy Industrial Fund.

c. Navy or Marine Corps Aircraft. Overtime and travel costs incurred in connection with inspection of Navy or Marine Corps aircraft will be charged to operating funds available to the Navy or Marine Corps activity where the aircraft was inspected. If inspection occurs at a location other than a Navy or Marine Corps activity, the cost will be chargeable to operating resources of the nearest Navy or Marine Corps air station.

3. DETAILED PROCEDURES. Detailed funding procedures are contained in pars. 046373, and 046374.

075152 DINING FACILITY OPERATIONS

1. GENERAL OPERATIONS

a. Cost of Meals. Each service will budget for the cost of subsistence for its members. Enlisted personnel, when entitled to meals at Government expense, will be fed on a common-service basis without cross reimbursement between the services although they may be subsisted by another service.

b. Operational Costs. The budgeting and funding responsibility for cost incurred in operating an appropriated fund food service facility ashore in the continental United States and overseas is assigned to the command which has mission responsibility for operation of the dining facility. Under the messmen conversion program, in which civilian resources are used to support the Navy food service program, the initial conversion cost is the budgeting and funding responsibility of the office or command having claimant responsibility for the shore activity at which conversion is made. In subsequent years, the cost of civilian messmen will be included in the field budget of the command operating the dining facilities. Within the Department of Defense, tenant activities utilizing a mess operated by a host activity will be supported on a common service basis. The provisions of this paragraph do not preclude tenant activities from furnishing military personnel for temporary messman duties when essential for operation of the dining facility.

c. Exception. Cost incurred in sudden and unusual requirements for feeding enlisted personnel of another service, as may occur during troop exercises, is subject to reimbursement when the unplanned requirements result in significant cost. Prior agreement with organizations in the other military services should be obtained on the scope of services which will be provided on a common service basis during special exercises.

2. ORGANIZATIONAL CLOTHING FOR FOOD-HANDLING PERSONNEL

a. Requirements. Regulations require the use of organizational clothing by members of the Navy and Marine Corps in the performance of food-handling duties. Organizational clothing (white tee shirts, white trousers, commissarymen's caps, white aprons, and stewards' white jackets) is required as a sanitary safeguard for the protection of personnel subsisting in the mess. Accordingly, organizational clothing which must be issued to such members remains U.S. Government property after issue.

b. Budget Policy. The procurement and laundering of organizational clothing authorized for issue to Navy and Marine Corps members is the financial responsibility of the office or command supporting a ship, station, or activity which operates a general mess, officers' closed mess, or personal mess of a flag/general officer or other eligible officer. Normally, such costs are funded under the ship, station, or activity operating budget. When members are assigned to activities which hold no Department of the Navy funds for operating purposes, the cost will be charged to the Navy or Marine Corps activity to which the member is assigned for administrative purposes. If assigned to a non-Navy/Marine Corps command or activity for administrative purposes, special funding provisions will be made through the Office of the Chief of Naval Operations or Headquarters, U.S. Marine Corps, as appropriate.

3. SOURCE DOCUMENT. Additional information is contained in the current issuance of OPNAVINST 5312.18.

075153 OVERSEAS COMMUNITY RELATIONS

Funding for collateral operations in support of national objectives in overseas community relations will be through the normal budgetary process with support funded through operating resources of the field activity providing the services. Additional information relating to overseas community relations is contained in the current issuance of SECNAVINST 5720.44.

★075154 DISASTERS OR EMERGENCIES

1. GENERAL. Navy and Marine Corps activities on occasion are involved in natural (acts of God) and/or manmade disasters or emergency situations which may relate to protection of Government property, private property, and assistance to people. Examples of natural disasters or emergency situations are earthquakes, floods, hurricanes, typhoons, fires, and epidemics. Examples of manmade disasters or emergency situations are those resulting from enemy attacks, riots, civil strife, explosions, or fires.

2. ASSISTANCE TO FEDERAL AGENCIES, STATE AND LOCAL GOVERNMENTS, AND FOREIGN GOVERNMENTS

a. Authority. Pursuant to the Disaster Relief Act of 1974 (42 U.S.C. 5121), the Secretary of Defense has designated the Department of the Army as the executive agent for military support of other Federal agencies and state and local governments in natural disaster emergencies within the United States, its territories, and possessions. As executive agent, the Secretary of the Army calls upon the Navy and Marine Corps for assistance as required. Policy specifically applicable to civil defense emergencies (i.e., protection/assistance required as a result of enemy attack, natural disasters and civil disturbances) and guidance on foreign disaster emergency assistance pertinent to both man-made and natural disaster areas is contained in the current issuance of OPNAVINST 3440.16

b. Funding

(1) General. Depending on the circumstances and whether the situation occurs in the United States or in a foreign area, materials, equipment, and services utilized by Navy and Marine Corps activities may be charged to Department of the Navy appropriations, reimbursable orders, or a combination of both. Detailed guidance is provided in pars. 035500 through 035514.

(2) Exception. When disasters and emergencies as defined in subpar. 1 occur at Department of the Navy industrial-commercial activities, the financing of repair or restoration project is based on facility replacement cost and specific thresholds. When the cost of the project exceeds 50 percent of the replacement value of the facility and $200,000, the project must be approved by ASN(S&L). The NIF/MCIF will finance projects classified as construction or repair if the cost is within the dollar threshold authorized for industrial fund financing of repairs of extensive damage caused by catastrophes or acts of God (see Volume 5). Appropriation financing is required for projects classified as construction costing in excess of NIF/MCIF authority, subject to the construction thresholds currently authorized for each appropriation. The operations appropriation providing military support to the activity will finance repair projects costing in excess of NIF/MCIF authority.

3. ASSISTANCE TO INDIVIDUALS

a. Disasters/Emergency Situations. In disaster/emergency situations commanding officers have inherent authority to take appropriate actions to secure the health and safety of military/civilian personnel and their dependents and other persons who are on base. Where such support, e.g., feeding, housing, medical care, is not a mission responsibility, it is generally provided on a reimbursable basis following user charges procedures contained in pars. 035875-82 unless there is a specific directive governing the support, e.g., MCO P10110.14.

b. Reimbursement. Unless there is specific authority to do otherwise, reimbursements from individuals for support will be credited to the General Fund of the Treasury. If the commanding officer determines that it is not reasonable or practicable to collect from those individuals provided support, he/she may recommend to NAVCOMPT, via the chain of command, that charges be waived. Waivers may not be granted until NAVCOMPT approval is obtained.

c. Waived Costs. Costs of support to individuals which are waived will be charged to the operation and maintenance funds which finance operating costs of the base/activity.

075155 HEALTH AND COMFORT ITEMS

1. GENERAL. Personnel subject to the Uniform Code of Military Justice when confined in correctional or penal institutions, including domestic nonmilitary and foreign penal institutions, are authorized by Navy Regulations, 1973, par. 0767, to be issued certain health and comfort items such as toilet articles, tobacco, clothing items, and other necessities required for the health or well-being of members.

2. FUNDING GUIDANCE

a. General. Budgeting and funding for the cost of health and comfort item issues to eligible members will be in accordance with subpars. b and c.

b. Members in Pay Status. For members in a pay status, the cost of health and comfort item issues is chargeable to the military personnel appropriation centrally managed allotment from which the member's basic pay and allowances are funded as set forth in par. 023304.

c. Members in Nonpay Status. The cost of health and comfort item issues for members in a nonpay status as defined in the current issuance of SECNAVINST 1640.9 will be funded as follows:

1. upon commitment—for appropriated funds available to the prisoner's commanding officer;
2. resupply during confinement in a U.S. military institution--from appropriated funds available to the commanding officer operating the confinement facility;
3. resupply during confinement in domestic nonmilitary or foreign penal institutions—from funds available to the prisoners' designated commanding officer.

3. SOURCE DOCUMENT. Additional information relating to confinement in foreign penal

institutions is contained in the current issuance of SECNAVINST 5820.4.

075156 COMMISSARY STORES

1. AUTHORITY. Pursuant to provisions of 10 U.S.C. 7601, 7602, and 7603, commissary stores may be established and operated by Department of the Navy (DON) activities to sell food items to members and authorized dependent personnel. Commissary stores approved for establishment by the Navy Resale System Office are operated on a self-sustaining basis except for appropriated fund support specifically authorized by statute.

2. BUDGET POLICY

a. General. The financial operations of commissary stores at DON activities are governed by statutory authority (also see the General Provisions of the annual Department of Defense Appropriation Act, cited in Appendix A) and a host-tenant relationship that is established when a commissary store is established at an activity.

★b. Stock, Supplies, and Equipment. The Department of the Navy Stock Fund finances the procurement of stock, operating supplies, and equipment for commissary stores. The Department of the Navy Stock Fund is reimbursed from operating capital of the commissary store as items are expended from the Department of the Navy Stock Fund Account.

c. Staffing. Civilian personnel required for commissary store operations are budgeted for and funded by the Naval Supply Systems Command through the Navy Resale System Office.

d. Services. Common services, such as garbage and trash removal, sewage disposal, police and fire protection, insect control, medical inspection, road, sidewalk, and grounds maintenance, snow removal, procurement, accounting, merchandise handling, supply and financial administration, computer operation and maintenance, and other administrative and personnel support functions performed on behalf of the commissary store operation will be provided by the host activity without reimbursement.

★e. Utilities. The host will provide utilities and telephone service outside the 48 contiguous states without reimbursement.

3. SOURCE DOCUMENT. Additional information relating to commissary store support is contained in the Naval Supply Systems Command Manual, par. 43044.

075157 INTERIM LODGING

When Government quarters (individual or family) become temporarily uninhabitable and the commanding officer of the activity making the quarters assignment certifies, in writing, that the quarters to be vacated are uninhabitable and other Government quarters are not available, non-Government temporary lodging may be obtained for a reasonable period of time until habitability can be restored. Operation and maintenance funds of the activity assigned budgetary responsibilities for common services within the complex will be utilized to finance the expense.

Section V: TRANSPORTATION AND TRAVEL COSTS

075180 COSTS OF TRANSPORTATION AND HANDLING OF HOUSEHOLD GOODS AND PRIVATELY OWNED VEHICLES

1. SCOPE. This paragraph delineates financial responsibility for costs incurred in the transportation and handling of household goods of military and civilian personnel and the transportation and handling of privately owned motor vehicles of military personnel of the Department of the Navy (DON).

2. DEFINITIONS

a. Organizational Component. As used herein, the term "organizational component" includes offices, commands, and headquarters of the Department of the Navy exercising command over shore activities.

b. Transportation. The term "transportation" as used herein includes shipment and storage incident to shipment.

c. Handling. The term "handling" as used herein includes packing, crating, unpacking, and uncrating; loading and unloading; local hauling; and storage not incident to shipment.

★ d. Local Moves. The term "local moves" as used herein encompasses the handling associated with the assignment, reassignment, or termination of assignment of quarters but does not involve a permanent change of station or temporary additional duty. It excludes authorized moves from Government quarters to temporary residences in the vicinity of the last permanent duty station of members who are entitled to shipment to home of selection, as these moves are related to a permanent change of station.

e. Military Personnel. The term "military personnel" as used herein includes military personnel of the Navy and the Marine Corps.

f. Civilian Personnel. The term "civilian personnel" as used herein is limited to DON civilian personnel who are paid from appropriated funds and civilian employees of Navy liaison offices and diplomatic missions. The term excludes civilian employees of morale support activities who are paid from nonappropriated funds and personnel of the American Red Cross.

★g. Privately Owned Motor Vehicles. The term "privately owned motor vehicle" as used herein means any self-propelled wheeled motor conveyance owned by a military member as defined in Joint Federal Travel Regulations, Volume 1, Appendix A.

3. BUDGET POLICY

a. Transportation and Handling Performed by Station Forces

(1) General. The cost of work performed by station forces generally will be absorbed by the funding source which normally supports station operations. The cost of packing, crating, unpacking, uncrating, local hauling of household goods, and loading and unloading of privately owned motor vehicles of military members will be absorbed by the performing activity.

(2) Public Works Centers and "Lead Activities." If the performing activity is a public works department of an activity having "lead activity" responsibility for public works functions, the work performed by station forces is not reimbursable. When local moves are accomplished partially by station forces and partially by commercial means, the activity assigned budgetary responsibility for common services within the complex is responsible for the commercial costs of local moves. When the performing activity is a public works center, the cost of local moves will be initially financed by the public works center and reimbursed in the geographic locations specified herein by the activity within the complex specifically assigned responsibility, as follows, to budget costs of local moves:

Great Lakes, IL - Naval Training Center
Guam, M.I. - Naval Station
Norfolk, VA - Naval Station
Pearl Harbor, HI - Naval Station
Pensacola, FL - Naval Air Station
San Diego, CA - Naval Station
San Francisco/Oakland Bay Area - Naval Air Station, Alameda
Subic Bay, ROP - Naval Station
Yokosuka, Japan - Fleet Activities

(3) Industrial-Commercial Activities. If the performing activity, other than those listed in subpar. (2), is an industrial-commercial activity, the costs of transportation and handling resulting from local moves will be funded by the industrial fund initially and will be reimbursed from military support funds provided by its parent command. Work performed by industrial-commercial activities incident to movement of household goods of military personnel in a permanent change-of-station (PCS) tansfer is a funding responsibility of the appropriation Military Personnel, Navy, or Military Personnel, Marine Corps, as appropriate.

(4) Partial Station Force Performance. In situations where a movement of household goods or the loading or unloading of privately owned motor vehicles is performed partially by station forces and partially through commercial means, the performance by station forces will be supported as outlined in subpars. (1) through (3), and the commercial performance will be supported as outlined in subpar. b.

b. Transportation and Handling Performed Commercially for Military Personnel

(1) Permanent Change of Station

★(a) General. The Naval Military Personnel Command and Headquarters, U.S. Marine Corps, within the appropriate military personnel appropriation will budget for the cost arising from commercial transportation and handling of household goods and privately owned motor vehicles, in connection with PCS moves which qualify as a change of station. When the PCS move is categorized as separation travel (see par. 075187-2a(5)), the cost of transportation and handling of household goods from Government quarters to temporary residences in the vicinity of the last permanent duty station of the member, as entitled under provisions of the Joint Federal Travel Regulations, Volume 1, par. U5360, is chargeable to MPN or MPMC, as appropriate.

(b) Security Assistance—Grant Aid or Advisory Group Assignment. The cost of transporting and handling household goods and privately owned motor vehicles incident to assignment to an activation crew for a ship being prepared for transfer under Grant Aid or assignment to or termination of assignment to an advisory group will be chargeable to the appropriation Military Personnel, Navy or Military Personnel, Marine Corps, as appropriate.

(2) Temporary Additional Duty. The organizational component which budgets for and funds the temporary additional duty (TAD) travel also will budget for and fund the costs of transportation and handling of household goods, except when it is related to security assistance, in which case the rules stated in subpar. (1) with respect to permanent change-of-station moves also are applicable to TAD moves.

(3) Local Moves

★(a) Entitlement. The Joint Federal Travel Regulations, Volume 1, par. U5335, establish the entitlement of Government funding of any necessary drayage and storage of household goods related to involuntary moves (i.e., assignment, reassignment, termination of assignment, or incident to involuntary extension of tour of duty) which are directed by competent authority on the basis of a requirement of the Service concerned. Procedures surrounding assignment to Government quarters, in view of the Government's interest in keeping them occupied, are such that assignments of quarters to members who, because of their nonavailability for immediate occupancy upon arrival, voluntarily place their names on a housing waiting list, are considered to be a requirement of the Service and, thus a proper Government expense. Likewise, when a tour of duty at a location outside the United States is extended involuntarily and a member is required for reasons beyond his control, such as refusal of landlord to renew lease agreement, to change his residence on the local economy, the move is a proper Government expense. Local funding shortages do not negate the previously stated entitlement; however, in determining the propriety of funding of reassignments or terminations of assignment or moves related to involuntary extensions overseas, the undertaking at Government expense must be subjected to evaluation as to whether it is in the Government's interest or is primarily for the convenience or morale of the members. For additional guidance see Transportation of Personal Property (NAVSUP P-490), par. 7008.

(b) Public Works Centers or "Lead Activities." If the commercial arrangements are made on behalf of personnel assigned to any activity at a complex served by public works centers or by the public works department of an activity having "lead activity" responsibility for public works functions, or assigned to housing managed by a public works center, the activities specified in subpar. a(2) will have the funding responsibility. At all other activities, the costs will be budgeted and funded as prescribed in subpar. (c).

★(c) Other Naval Activities. In situations of assignment, reassignment, or termination of assignment to Government quarters administered by the Department of the Navy other than those in subpar. (b), the costs of handling incident to the local moves will be funded from the operating budget of the activity administering the housing funds. In situations of reassignment between housing units whose funds are administered by different naval activities, handling costs will be chargeable to the operating budget of the recipient activity, i.e., the activity administering the funds of the housing unit to which the individual is reassigned.

★(d) Housing Administered by Other Military Departments. In situations of assignment, reassignment, or termination of assignment in which only quarters administered by the other military departments are involved, the costs associated with local moves, including the nontemporary storage of household goods, should be charged to the operating funds of the organization making the quarters assignment, regardless of the member's military service. The organization that controls the assignment of quarters must be responsible for funding such moves regardless of the Service affiliation of the individuals being assigned.

(e) Local Moves Involving Non-Government Quarters. Under circumstances where a principal (assigned to either shore or afloat duty) requires a local move between non-Government quarters (including rental guarantee and leased housing) and is entitled to have such move funded by the Department of the Navy, such costs will be funded, in descending order of applicability, from the following activity operating resources:

1. public works center or "lead activity" as specified in subpar. (b),
2. nearest shore activity within commuting distance which administers Defense Family Housing resources,
3. shore activity which normally provides local Department of the Navy morale/welfare/recreation support for the principal,
4. shore activity to which the principal is administratively attached, or
5. fleet command to which the principal is assigned.

c. Transportation and Handling Performed Commercially for Civilian Personnel

(1) Transfer of Official Duty Station. Generally, the organizational component which budgets for and funds the transfer travel from one official duty station to another, including transfer from one department of the Federal Government to another, also will budget for and fund the costs of transporting and handling household goods. Except as provided in subpars. (2) and (3), such costs will be borne by the department or activity to which the employee is transferred.

(2) Intra-Department of Defense Reduction-in-Force Transfers

(a) General. When employees are transferred between Department of Defense (DOD) activities for the convenience of the Government in connection with a reduction in functions or the closing of a military installation, the losing activity has the financial responsibility for the costs of the transferred employees' travel and the transportation and handling of their household goods, as required by the Joint Travel Regulations, par. C1052.

(b) Intra-DOD Transfers. Costs related to transfers between Department of the Navy activities or to transfers from Department of the Navy to another DOD department or agency will be budgeted and funded by the releasing activity. If the releasing activity is a Navy or Marine Corps industrial-commercial activity, such costs are reimbursable to the industrial fund from the military support funds provided by its parent command.

(c) Transfers to Department of the Navy. Costs related to transfers from another DOD department or agency to the Department of the Navy will be budgeted and funded by the losing activity issuing the notice of reduction in force or transfer of function.

(d) Transfers From Department of the Navy. Costs related to transfers from the Department of the Navy to a non-DOD department or agency may be borne in whole or in part by the Department of the Navy, as agreed upon by the departments or agencies concerned. To the extent that such costs are borne by the Department of the Navy, the losing activity has the financial responsibility.

(3) Transfers To and From Overseas Activities. The general principle of funding the movement of household goods by the organizational component which budgets for and funds the transfer travel is equally applicable to overseas movements. For such travel performed by employees who have completed the prescribed overseas tour of duty and are being transferred to an activity in continental United States, the losing overseas activity is responsibile for the costs incident to the movement of household goods. The losing overseas activity is responsible for funding the transportation of household goods to the place of actual residence or allowable alternate destination of an employee who is entitled

under an agreement to return travel prior to separation. However, when such an employee, after arrival at destination, accepts employment by another department or agency without a break in service, the losing overseas activity bears the cost of the transportation not in excess of that to place of actual residence. The cost of any additional authorized transportation to the new duty station will be borne by the acquiring department or agency, subject to the conditions for eligibility stated in the Joint Travel Regulations, par. C1052. The cost of transportation of household goods of an employee who has completed a required period of service and has executed a renewal agreement for a tour of duty at a different overseas activity is the responsibility of the gaining overseas activity. All Navy costs of ocean shipments controlled by the Military Sealift Command and effected by Government bills of lading are charged initially to the Navy Industrial Fund and reimbursed from the Navy Management Fund by the Naval Supply Systems Command. Ultimately, the Navy Management Fund is reimbursed by the appropriation and subhead chargeable for the travel. Such reimbursement transactions are effected at the headquarters level; this precludes the transfer of the charges for the ocean transportation to the overseas activity. As a result, the actual funding of costs of transportation of household goods to or from overseas activities is divided as follows:

1. packing, crating, unpacking, local hauling (by contract)—chargeable to activity funding travel;
2. packing, crating, unpacking, local hauling (by station forces)—absorbed by funding source which normally supports the work;
3. ocean transportation (by Government bill of lading)—charged by MSC to Navy Management Fund and ultimately to the office or command which administers the subhead funding the travel (i.e., the major claimant or subclaimant which issues an operating budget to the overseas activity);
4. ocean transportation (when not made by Government bill of lading)—reimbursement to employee by the acquiring or losing activity as delineated in this subparagraph.

In those instances where over-water movement at Government expense, or privately owned motor vehicles of civilian employees is authorized under the criteria stated in the Joint Travel Regulations, pars. C11002 through C11004, the funding assignments are identical with those prescribed for household goods.

★(4) Local Moves. When the assignment, reassignment, or termination of assignment of civilian personnel to quarters is not in conjunction with the principal's transfer of official duty station, the costs of handling household goods will be funded in accordance with the funding provisions of subpar. b(3).

d. Morale Support Activity Personnel. Household goods and privately owned motor vehicles of those civilian employees of Navy and Marine Corps morale support activities (exchanges, clubs, messes, etc.) who are paid from nonappropriated funds may not be transported or handled if any cost will be incurred against appropriated funds in the performance of such services.

075181 FIRST AND SECOND DESTINATION TRANSPORTATION

1. GENERAL. There are two major categories of material transportation, first and second destination. Definitions are discussed in subpar. 2. The responsibility for financing transportation charges is determined by the category of transportation and, with few exceptions, the fund or appropriation financing the procurement of the material transported. The basic funding delineations are stated in subpar. 3.

2. DEFINITIONS

a. First Destination. First destination transportation (FDT) is that transportation required to effect the delivery of material from a procurement source to the first point of use or storage for subsequent distribution within the supply system. The procurement source and first point of use or storage may be in the continental United States (CONUS) or overseas. The procurement source, as used herein, is any supplier outside the Department of Defense (DOD) Supply System and any DOD industrial activity which fabricates new material. Charges include those for freight cartage, port handling, and other in-transit costs incurred incident to the shipment of the material.

b. Second Destination. Second destination transportation (SDT) is any transportation other than first destination. SDT is applicable to components reworked by an industrial activity. Charges include those for CONUS port handling, freight cartage, and other costs incurred incident to the shipment of property.

c. Freight Cartage. Freight cartage includes any cartage described in through delivery documentation. However, in instances of cartage for consignments to a shore-based activity, ship, or other mobile unit when there is a shore-based activity assigned area responsibility, the local delivery costs, including commercial charges, will be funded from the operating resources of the activity assigned area responsibility.

d. Transportation Accounting Codes. Transportation Accounting Codes (TACs) are cited on all shipping documents and are used to identify the proper funding source and appropriation. TAC selection is based upon cognizance of material, appropriation financing the purchase of material, project, and/or other factors. TACs are found in DOD Regulation 4500.32R (MILSTAMP), Volume II.

e. Costs Incurred Incident to Shipment of Property. Costs include charges for services performed while a shipment is in-transit. Many carriers will provide accessorial services in addition to line-haul service which may be categorized as:

1. preparation charges, e.g., packing, marking, loading, crating, handling, blocking, bracing, and disassembly, etc.;
2. in-transit charges, e.g., security service, documentation fees, stop-off, port handling, switching, flagmen, re-cooperage, etc.;
3. destination charges, e.g., reassembly, permit/ prelodge, storage prior to unloading, etc.

Although these charges may be found in commercial carriers' tariffs, tenders or schedules, only in-transit charges should be paid with transportation funds. Preparation charges and destination charges will be funded from other than transportation funds.

3. FUNDING RESPONSIBILITY

a. General. The Commander, Naval Supply Systems Command (NAVSUPSYSCOM), as Manager of Navy Material Transportation, funds all Navy FDT and SDT transportation with the exception of funding responsibilities stated in subpars. b and c, and other exceptions specifically authorized by the Chief of Naval Operations (CNO).

b. First Destination. First destination transportation is financed by NAVSUPSYSCOM in the Operation and Maintenance, Navy (O&MN) or Naval Reserve (O&MNR) appropriation, as appropriate, with the exception of those circumstances cited in items 1 through 3 as follows:

1. Transportation Integral to Contract Price—Free-on-board (FOB) destination charges are financed by the same appropriation or fund which financed acquisition of the item;

★2. Transportation of Stock Fund Material Among the 50 States—Transportation is financed by the Department of the Navy Stock Fund;

3. Transportation of Items Procured by Other Than Navy Procurement and Operation and Maintenance Appropriations—Transportation is financed by the appropriation

or fund which financed acquisition of the item, e.g., Military Personnel, Navy for subsistence items, Research, Development, Test and Evaluation, Navy for RDT&E Project material, and Military Construction, Navy for items which are charged to a MILCON project.

c. Second Destination. Second destination Navy transportation is financed by NAVSUPSYSCOM in the O&MN appropriation, with the exception of funding responsibilities cited in subpars. d through p and any other exceptions authorized by CNO.

d. Organic Material Incident to Relocation and/or Rotational Deployment. Transportation of organic material, i.e., items on the custody or plant account records of field activities or deployable units, incident to relocation and/or rotational deployment is a funding responsibility of the major claimant or management command who directs the movement, except for fleet-owned Naval Construction Force (NCF) equipment. NAVSUPSYSCOM funds second destination transportation incident to NCF deployments, acting on behalf of the Commander, Naval Facilities Engineering Command, for NCF equipment movements. Special provisions applicable to Marine Corps Reserve and Fleet Marine Force unit deployments/redeployments and relocations are delineated in par. 075182.

★e. Transportation of Stock Fund Material Among the 50 States. All transportation is financed by the Department of the Navy Stock Fund.

f. U.S. Antarctic Program and Security Assistance Program. In the case of the U.S. Antarctic Program and Security Assistance Program shipments, the cost is reimbursed to the Department of the Navy.

g. Household Goods. Movement of household goods of civilian personnel incident to permanent change of station (PCS) and of military personnel incident to temporary duty, as authorized, is funded by major claimants. Movement of household goods of military personnel incident to PCS travel is funded from military personnel appropriations.

h. Mine Countermeasure Equipment and Material. Costs of second destination transportation of mine countermeasures equipment and material are funded by Commander in Chief, Atlantic Fleet (CINCLANTFLT).

i. The Military Sealift Command (MSC) Fleet Auxiliary Billings. Costs related to MSC fleet auxiliary billings are funded by the cognizant Fleet Commander.

j. MSC/Commercial Ship Replenishment Programs. Funding responsibilities and procedures for submitting underway replenishment requirements are contained in the procedures for the Management of Petroleum Products, DOD Manual 4140.25M, dated September 1976.

k. Transportation of Remains of Deceased Beneficiaries. The Decedent Affairs Program, funded by NAVMED, includes the cost of transportation of remains of deceased beneficiaries.

l. Demurrage and Detention Charges (DDC). Demurrage and detention costs, including DDCs pertaining to transportation of petroleum, oil and lubricants (POL), are chargeable to the account of the operating manager at the local activity or type commander of the ship where the DDCs occur.

m. Base Closures and Shore Establishment Realignment Actions. Transportation costs in connection with relocation of material incident to base closures, shore establishment realignment, or similar actions is a funding responsibility of the major claimant or management command which funds the activity being disestablished or realigned. However, when an activity requests reassignment of material which would otherwise be declared surplus, the requesting activity funds transportation costs for the material being relocated.

n. Transportation of Navy-Owned Material for Disposal/Excess/Surplus. Transportation for turn-in of Navy-owned excess materials is an

★ appropriate charge to second destination transportation (O&M,N) or the Department of the Navy Stock Fund depending upon the cognizance symbol of the material.

o. Acquisition of Excess/Surplus Material. In connection with acquisition of excess/surplus material from Navy or other Government agencies, e.g., Defense Logistics Agency (DLA), National Aeronautics and Space Administration (NASA), Defense Property Disposal Office (DPDO), transportation expenses are chargeable to the requesting activity and not to transportation funds centrally managed by NAVSUPSYSCOM. However, the requesting activity must obtain, from the claimant/command responsible by budgeting and managing the funds cited, prior approval before citing the TAC chargeable to the claimant/command.

p. Research and Development. All second destination transportation involving material for RDT&E, N projects is chargeable to the RDT&E, N appropriation.

075182 TRANSPORTATION OF MARINE CORPS UNITS

1. SCOPE. This paragraph delineates budget responsibility for transportation and port handling requirements incident to Marine Corps Reserve and Fleet Marine Force (FMF) unit movements. Transportation is defined as movement from the point of origin to point of destination. Port handling includes costs related to the on-load and off-load of personnel and cargo. No charges are applicable when transportation is provided by organic lift.

2. BUDGET POLICY

a. Fleet Marine Force Units. Responsibility for funding the cost of transportation (personnel and equipment) related to FMF ground and air unit deployments and redeployments is assigned in accordance with the principle of command line funding, as follows:

1. Funding for transportation of JCS specifically directed deployment/redeployment of Marine Corps air and ground units of the Fleet Marine Force for contingency operations and training/readiness via all modes is the responsibility of the Unified Commander. This responsibility includes the monitoring of airlift funds as well as funding for sealift and ground transportation.
2. Funding for transportation of Fleet Commander directed deployment/redeployment of Marine Corps air and ground units of the Fleet Marine Force for contingency operations and training/readiness via all modes is the responsibility of the Fleet Commander.
3. Funding for transportation of Commandant of the Marine Corps directed deployments/redeployments for training/readiness of Marine Corps air units of the Fleet Marine Force is the responsibility of the Fleet Commander.
4. Funding for transportation of Commandant of the Marine Corps directed rotational movements/relocations of Marine Corps air and ground units and deployments/redeployments for training/readiness of Marine Corps ground units is the responsibility of the Commandant of the Marine Corps.
5. Funding for transportation required to support/resupply Marine Corps air units is the responsibility of the Navy except for ground equipments whose procurement is budgeted by the Marine Corps.
6. Funding for transportation required to support/resupply FMF ground units is the responsibility of the Marine Corps.

b. Marine Corps Reserve Units. Responsibility for funding the cost of transportation (personnel and equipment) related to Marine Corps Reserve unit rotational movements and relocations is assigned in accordance with the principle of command line funding, as follows:

1. Funding for transportation of Marine Corps Reserve ground units for rotational

movements and unit relocations is the responsibility of the Commandant of the Marine Corps.

2. Funding for transportation of Marine Corps Reserve air units for deployments/redeployments for training/readiness of Marine Corps air units is the responsibility of the Chief of Naval Reserve. Transportation of aviation unit equipment to and from annual training duty is included in the responsibility of the Chief of Naval Reserve. The movement of personnel under authority of orders citing Reserve Personnel, Marine Corps approriations in connection with annual training duty is the responsibility of the Commandant of the Marine Corps.

3. Funding for transportation of Commandant of the Marine Corps directed relocations of Marine Corps Reserve air units is the responsibility of the Commandant of the Marine Corps.

075183 TEMPORARY ADDITIONAL DUTY TRAVEL

1. SCOPE. Temporary additional duty (TAD) travel consists of travel to one or more places away from a permanent or temporary duty station to perform duties for a temporary period of time and, upon completion of the assignment, return to the permanent or temporary duty station.

2. BUDGET POLICY

a. General. As a general policy, the resources available to support the program in whose interest the travel is performed will fund the TAD travel requirements of both military and civilian personnel of the Department of the Navy. Since most TAD travel requirements arise in connection with the operational and administrative functions performed at headquarters and field activities, TAD travel requirements are generally funded by the same funding source which supports the day-to-day operations of the activity to which the member or employee is assigned (see subpar. 3). However, special provisions are applicable to the use of various appropriations in support of TAD travel and exceptions to the general policy exist as a result of specific agreement and administrative determination. These special provisions and exceptions are set forth in subpars. b through e.

b. Travel of Headquarters Personnel. The travel requirements of personnel of headquarters organizations is normally supported under the Operation and Maintenance appropriation available to the headquarters organizations. The Research, Development, Test and Evaluation, Navy (RDT&E, N) appropriation, however, may support travel which is integrally related to the technical execution of a specific RDT&E, N project, both for project manager staff members and for other headquarters personnel whose technical capabilities are required for a specific project. The cost of TAD travel of headquarters personnel cannot be charged to procurement appropriations but shall be financed by Operation and Maintenance appropriations.

c. Travel in Support of Production. Travel of field activity personnel necessary for the production of an end-item should be financed by Procurement funds provided for production support services (see par. 075342).

d. Invitational Travel Orders. Persons not employed by the Federal Government may be authorized to travel at Government expense under certain circumstances. Such travel is termed "invitational travel" and the authority and restrictions for such travel are contained within the provisions of the Joint Travel Regulations, Volume 2, Chapter 6, Part A. Invitational travel is administered under the same funding policy as TAD travel, i.e., the resources available to support the program in whose interest the travel is performed will fund the invitational travel as a cost in the interest of the Department of the Navy. For example, when the services of Red Cross personnel are specifically requested and invitational travel is performed, the travel cost that is incurred is supported from the administrative TAD travel funds of the requestor of the Red Cross services. Another example is the cost of invitational travel in connection with Navy ship launching ceremonies that is chargeable to the appropriation, Shipbuilding and Conversion, Navy (see par. 035384). As noted previously, invitational travel is limited by administrative restrictions. Sponsored congressional travel is an example. Responsibility for such travel cannot be delegated below the Secretary of the Navy level and prior notice of invitations must be provided to the Assistant Secretary of Defense for Legislative Affairs.

e. Special Assignments. Special assignments of responsibility for the cost of TAD travel requirements are as follows:

TRAVEL REQUIREMENT	FUNDED BY
Courts, Investigations, and Legal Services	
1. Officers of the Navy-Marine Corps Trial Judiciary when acting as military judges of a special or general court-martial	Operating budget of the Judge Advocate General
2. Navy Legal Service Office personnel in connection with courts-martial proceedings	Operating funds which support TAD travel of the convening authority
3. Navy Legal Service Office personnel requested by an activity for other than courts-martial matters	Operating funds which support TAD travel of activity requesting the services
4. Navy Legal Service Office personnel administrative travel required in performance of mission	Operating funds which support TAD travel of the Office
5. Witnesses, including civilians and military members of all Services, for courts-martial	Operating funds which support TAD travel of the convening authority
6. Military counsel required by parolee and provided by Navy Law Center or Navy Legal Service Office personnel	Operating funds which support TAD travel of the Law Center or Legal Service Office, as appropriate
7. Escort accompanying a member absentee to a court-martial proceeding	Operating funds that support TAD travel of activity to which a member absentee is officially assigned for duty
8. Escort accompanying a member deserter to a court-martial proceeding	O&M funds administered by the Naval Military Personnel Command or Headquarters, U.S. Marine Corps, as appropriate
9. Military member required to testify at state court trials in which Navy has interest	Operating funds that support TAD travel of the activity to which the member is assigned for duty

TRAVEL REQUIREMENT	FUNDED BY
Appearance before a Physical Evaluation Board	
1. Navy and Marine Corps members on active duty in a patient status	O&MN funds administered by the Naval Medical Command
2. Navy and Marine Corps members a. on the temporary retired list (including Navy Fleet Reserve) b. on temporary disability retired list	O&M funds administered by the Naval Military Personnel Command or Headquarters, U.S. Marine Corps, as appropriate
Participation in events	
Civilian sponsored public events	Sponsor of the event, unless an exception is made by the Secretary of Defense (see U.S. Navy Public Affairs Regulation (NAVSO-P1035))
Sporting events	O&M funds administered by the Naval Military Personnel Command or Headquarters, U.S. Marine Corps, as appropriate
Official public relations appearances (includes guest speakers, official work with private and public organizations, and ceremonies such as awards or christenings)	Program benefiting from the participation. When travel is mandatory and no funding source can be identified, the cost of travel is a responsibility of the funding source which supports the administrative TAD travel requirements of the activity to which the participant is permanently assigned
Inspections	Operating funds which support the authority ordering or requesting the services of inspectors. Exceptions are for travel funds required for personnel who augment the Navy Inspector General teams and the command inspections conducted under the Command Inspection Program. These costs are chargeable to the operating funds available to the office providing the augmentee.
Return of unauthorized absentees	
Guards/escorts for the apprehension and delivery of military absentees and deserters	Chargeable to the Service to which the absentee/deserter is accountable. For Navy or Marine Corps members, the cost is chargeable to MPN or MPMC, as appropriate. In situations of guard/escort accompanying members of more than one Service, chargeable to the Service providing the guard/escort.

TRAVEL REQUIREMENT	FUNDED BY
Guards for classified shipments	Operating funds available to the activity or headquarters command which funds the transportation cost of the classified shipment
Special mission assignment	
Travel not directed by activity to which personnel are permanently assigned	Operating funds available to the authority which is responsible for the special mission assignment
Medical augmentation of Marine Amphibious Forces	O&MN funds administered by the Naval Medical Command
Medical augmentation of Navy Fleet/JCS or coordinated Exercises and Deployed Units	O&MN funds administered by the Naval Medical Command
Medical augmentation of shore activities	O&MN funds administered by the major claimant of the activity for which the augmentee is requested
Escorts of Navy and Marine Corps dead	O&MN funds administered by the Naval Medical Command
Inpatient transfers from a non-Navy medical treatment facility	
Navy and Marine Corps personnel admitted to the sick list and transferring for further treatment from a non-Navy medical treatment facility to any other medical treatment facility	O&MN funds administered by the Naval Medical Command
1. Active duty inpatients worldwide and their nonmedical attendants when outside CONUS	
2. Inpatient dependents and their nonmedical attendants outside CONUS only	

3. FUNDING DETERMINATION. Because of wide variation in travel requirements throughout the Department of the Navy, the following table provides a reference guide for determining funding responsibility based on the general policy in subpar. 2a. Illustrations indicate the more common situations requiring travel.

TRAVEL REQUIREMENT

TRAINING

Attend a training course of instruction of less than 20-weeks

Travel is in connection with a training program while the student is undergoing instruction

MEDICAL

Ordered to a hospital in an outpatient status or directed to report from duty station to a Physical Evaluation Board

Obtain a physical examination, clinical evaluation, medical treatment, or other medical processing (excludes NROTC midshipmen entrance physicals which are an applicant's personal expense)

Transportation of next-of-kin of member patients when authorized

DISCIPLINARY

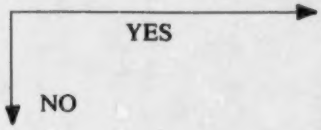
Ordered TAD In connection with disciplinary action

Shore patrol necessary expenses while in a travel or non-travel status

Guards for convicted courts-martial prisoners entering or within the Navy correctional system

FINANCIAL RESPONSIBILITY DETERMINATION

Is traveler or his principal assigned to a DON command or activity?



Travel is chargeable to the funding source which supports the TAD travel of the NAVY/MARCORPS command or activity to which traveler or his principal is assigned.

The principal (NAVY/MARCORPS member) is assigned for administrative purposes to a DOD command or activity

Travel is chargeable to the funding source which supports the TAD travel of the NAVY/MARCORPS command or activity to which the member is assigned for administrative purposes. If assigned to a non-DOD command/activity for administrative purposes, special provisions are made through OPNAV or Headquarters, U.S. Marine Corps.

NOTE: The traveler may be a Navy or Marine Corps member, DON civilian employee paid from appropriated funds, authorized dependent, or an escort for a dependent or member.

TRAVEL REQUIREMENT	FINANCIAL RESPONSIBILITY DETERMINATION
MISCELLANEOUS ASSIGNMENTS	
Temporary change of base of squadrons or flags	
Assignments of MARCORPS Reserve personnel on inactive duty training with Naval Reserve units	
Personnel Exchange Program assignments (Also see the current issuance of OPNAVINST 5700.7)	
DEPENDENT ESCORT	
Escorts for dependents whose Navy/MARCORPS principal has died, is missing, or otherwise unable to accompany the dependents.	

075184 TRAVEL IN CONNECTION WITH TEMPORARY DUTY

1. GENERAL. The provisions of this paragraph apply to the financial responsibility for travel that is performed in connection with temporary duty assignments when such travel does not begin and end at the same permanent duty station. The financial responsibility for travel from and return to the same permanent duty station in conjunction with assignments of a temporary nature is delineated in par. 075183.

2. BUDGET POLICY

a. Temporary Duty in Conjunction with Permanent Change of Station. The travel cost which arises from temporary duty assignments for members that are integral to a permanent change-of-station (PCS) movement is chargeable to the military personnel appropriations. When such temporary duty is performed in conjunction with a permanent change of station of a civilian employee, the cost is chargeable to activity operating funds. See par. 075187 for detailed information.

b. Temporary Duty Under Instruction Incident to PCS Movement. When members perform temporary duty under instruction en route between permanent duty stations, the travel costs connected therewith are the budget responsibility of the Military Personnel, Navy or the Military Personnel, Marine Corps appropriation, as appropriate, except for the per diem costs which are payable to a member while at a school for instruction of less than 20 weeks duration. Such per diem costs will be budgeted in the Operation and Maintenance, Navy or the Operation and Maintenance, Marine Corps appropriations, as appropriate.

c. Precommissioning Nucleus Crew Travel. Precommissioning nucleus crew travel and transportation costs associated with training included in the Navy Training Plan (NTP) are the funding responsibility of the Chief of Naval Personnel. This assignment of responsibility includes travel for training purposes as may be performed incident to permanent-change-of-station orders or that performed under authority of temporary additional duty orders. The Fleet Commander to whom the ship prospective commanding officer reports for duty pending commissioning is responsible for the funding of training travel not included in the NTP.

d. Temporary Active Duty Assignments. When members of the Naval or Marine Corps Inactive Reserve are ordered to temporary active duty, the travel cost arising from the temporary active duty assignments is a responsibility of the Reserve Personnel, Navy and Reserve Personnel, Marine Corps appropriations.

075185 TRANSPORTATION WHILE IN A LEAVE STATUS

1. CIRCUMSTANCES. Under certain circumstances, transportation at Government expense is authorized for military members who are in a leave status. In the Department of the Navy (DON), these circumstances include overseas travel during emergency leave, travel to a Federal medical facility in the event of illness or accident, travel during ship overhaul or inactivations away from home port, and relocation of a ship while the member is on leave or liberty.

2. BUDGET POLICY

★a. Emergency Leave. When emergency leave that is granted to members requires travel outside the continental limits of the United States, the overseas segments of transportation are chargeable to appropriated funds. This travel, which is designated in orders as funded emergency leave, is on either a space-required basis on Military Airlift Command (MAC) flights or commercial transportation when MAC is not readily available. For members assigned to duty within the DON, funded emergency leave transportation costs are chargeable to the operating budget which supports the temporary additional duty (TAD) travel of the ship, station, or unit to which the member is assigned for duty. For members assigned to activities operating under Industrial Fund procedures, these leave costs are chargeable to military support resources. For members assigned to duty outside DON, funded emergency leave transportation costs are chargeable, as applicable, to:

1. Military Assistance appropriation when members are assigned to duty in Security Assistance Program billets in overseas Military Assistance Advisory Groups (MAAG's) and missions;
2. National Science Foundation administrative support funds when members are assigned to duty with the United States Antarctic Program;
3. in all other assignments, to the operating budget which supports the TAD travel of the DON activity or command to which the member reports for administrative purposes.

b. Hospitalization of Member. When members in leave status are hospitalized as a result of illness or accident, the transportation costs arising from the transfer of the patient from a civilian hospital to a medical facility of the uniformed services are chargeable to Operation and Maintenance, Navy funds administered by the Naval Medical Command.

c. Ship Overhauls and Inactivations. When a ship (including a Naval Reserve Force ship and a ship supported by Research, Development, Test and Evaluation, Navy funding) is undergoing overhaul or inactivation at a location other than the ship's home port, round trip transportation between the overhaul/inactivation site and the ship's home port may be provided at Government expense for members in a leave status from that ship. The term "ship overhaul" includes regular overhaul, interim overhaul, restricted availability, tender availability, post-construction availability, and post shakedown availability. Costs of round trip transportation authorized by competent authority are chargeable to the operating funds available for overhaul/inactivation at the command having responsibility for the operational support of the ship during overhaul/inactivation. See par. 075186 for additional guidance.

d. Relocation of Ship. Travel required as a result of change of location of a ship while a member is on leave or liberty, will be funded from the appropriation which supports the TAD travel of the ship to which the member is assigned.

★3. SOURCE DOCUMENTS. For additional information relating to transportation while in a leave status, see Joint Federal Travel Regulations, par. U7205.

075186 TRAVEL AND TRANSPORTATION ALLOWANCES DURING SHIP OVERHAUL OR INACTIVATION AWAY FROM HOME PORT

1. CIRCUMSTANCES. The Secretaries of the military departments are authorized by 37 U.S. Code 406b to prescribe regulations for round trip transportation at Government expense between the overhaul or inactivation site and home port for certain members of the Uniformed Services serving on ships which are undergoing overhauls or inactivations at locations away from home ports. This paragraph delineates budgetary and financial responsibility for such travel and transportation allowances when a member is entitled thereto under the provisions of implementing directives.

2. BUDGET POLICY

a. Overhaul. Except as specified in subpar. c, round trip travel costs when ships are undergoing regular overhaul, interim overhaul, restricted availability, tender availability, post-construction availability, and post-shakedown availability are chargeable to designated operating budget resources of the appropriate fleet commander in chief.

b. Inactivation. Except as specified in subpar. c, round trip travel costs when ships are being inactivated is a budgetary responsibility of the Naval Sea Systems Command and chargeable to funds made available for the ship inactivation.

c. Exception. Ships that are overhauled or inactivated with RDT&EN resources are excepted from the funding policy in subpars. a and b. Round trip travel in such instances is financed from RDT&EN sources in accordance with par. 075403.

3. SOURCE DOCUMENTS. For additional information relating to travel and transportation

during ship overhauls or inactivations away from home port, see the Joint Travel Regulations, par. M6700. For specific entitlement provisions relating to travel and transportation during ship overhauls, see Navy Travel Instructions, pars. 6450 through 6459.

075187 PERMANENT CHANGE-OF-STATION TRAVEL

1. SCOPE. When the permanent duty station of a military member or Department of the Navy civilian employee changes, costs in connection with travel required by the change of permanent duty station are categorized as a permanent change-of-station (PCS) movement. The entitlements for PCS travel costs are reflected in the Joint Travel Regulations. The budget responsibility for the cost of PCS travel is assigned to the Chief of Naval Personnel and the Commandant of the U.S. Marine Corps for travel that is performed by military members and their authorized dependents. Such travel, when authorized by the Department of the Navy and performed by civilian employees (who are paid from appropriated funds) and their authorized dependents, is paid from appropriations or funds available for operations.

2. FUNDING POLICY FOR MILITARY PERSONNEL PCS TRAVEL

a. General. Except as provided in subpars. b, c, and d, the Military Personnel, Navy (MPN) and Military Personnel, Marine Corps (MPMC) appropriations, as appropriate, fund the PCS travel costs of regular and reserve personnel on active duty, their authorized dependents, and shipment of personal property. The cost of temporary duty travel directly related to and an integral part of a PCS movement also is chargeable to MPN or MPMC, as appropriate. Upon authorization issued by a local command, dependent travel and shipment of personal property is chargeable as a PCS movement when performed under rules set forth in the Joint Travel Regulations. MPMC is responsible for the cost of PCS travel performed by Marine Corps personnel in connection with assignment to and detachment from a Navy duty station. The types of travel are set forth in subpars. (1) through (6).

(1) Accession Travel. Accession travel covers the PCS movement of enlisted personnel from the place of entering active duty status to the first permanent duty station, or school of more than 20 weeks duration. For officer personnel it includes the PCS movement from the place of appointment to the first permanent duty station or school of more than 20 weeks duration, while in an officer status. It also includes the travel costs of cadets upon entry into a flying training program and midshipmen upon entry into the U.S. Naval Academy and, for those individuals who fail to pass entrance physical examinations, the travel costs to return home from the flying training program or the United States Naval Academy.

(2) Training Travel. Training travel covers the PCS movement of officer and enlisted personnel from a continental United States (CONUS) permanent duty station to a school or other location for instruction of 20 weeks duration or longer, including training for enlisted personnel leading to a commission. It also includes the cost of travel to the next permanent CONUS duty station upon completion of instruction or elimination from instruction.

(3) Operational Travel Between Duty Station. Operational travel between duty stations covers the PCS movement between permanent duty stations within CONUS and between permanent duty stations within overseas locations for officer and enlisted personnel when no transoceanic travel is involved in reaching the new permanent duty station, except such oceanic travel as may be required to reach or depart from a deployed ship or mobile unit. Excluded from this category are movements to or from schools of more than 20 weeks in CONUS and movement of organized units. This category includes travel of dependents and shipment of personal property of members interned, missing, or captured when no transoceanic travel is involved.

(4) Rotational Travel To and From Overseas. Rotational travel to and from overseas covers the PCS movement of officer and enlisted personnel that results from a change of duty assignment when

transoceanic travel is necessary to reach the new permanent duty station, including movements to and from courses of instruction of more than 20 weeks duration. It also covers the travel of dependents when the military member is interned, missing, or captured and transoceanic travel of the dependent is involved. Movement of organized units to and from overseas are excluded from this category.

(5) Separation Travel. Separation travel covers the PCS movement of officer and enlisted personnel who are released or separated from active duty from the last permanent duty station to a home of record, home of selection (when authorized), or to the point of entry into active duty, including mileage allowance paid in lieu of travel upon reenlistment with no break in service. The travel costs, from the site of the training program to the home of record or point of entry into service, of individuals returned to civil life as disenrollees from midshipmen or aviation cadet status are included. It also includes the travel costs of dependents and shipment of personal property of deceased personnel to a home of record, home of selection (when authorized), or to point of entry into active service for the deceased member.

(6) Travel of Organized Units. Travel of organized units covers the PCS movements, CONUS and overseas, required for a change of home port or the relocation of a squadron, staff, or field activity. It also includes the PCS travel cost of personnel ordered as replacements when directed to move as part of the unit move.

b. Temporary Duty Under Instruction Incident to PCS Movement. When PCS orders include temporary duty under instruction of less than 20 weeks, the costs therewith are budgeted in accordance with par. 075184-2b.

c. Reserve Personnel in Special Categories. The cost of PCS travel of Reserve personnel on active duty in certain assignments is funded as follows:

1. by Reserve Personnel, Navy (RPN) for Naval Training and Administration of Reserves (TAR) officers moving to a new duty asignment in a Headquarters Reserve Program billet,
2. by Reserve Personnel, Marine Corps (RPMC) for Category 6 Marine Corps Reserve personnel performing PCS travel to and from a Category 6 assignment.

d. Assignments to Military Assistance Advisory Groups (MAAG's) and Missions. The cost of PCS travel incurred in the assignment of members to duty in Security Assistance Program billets in overseas MAAG's and Missions is reimbursable to MPN and MPMC, as appropriate, from the Military Assistance appropriation. Reimbursement rates are costed statistically at one-half the foreign composite standard rate prescribed in par. 035750. Reimbursement to the applicable accounts is provided by the Defense Security Assistance Agency based on reports received from MAAG's and Missions.

e. Special Circumstances. Travel costs arising from orders which detach military members from a permanent duty station pending further assignment, usually for medical or disciplinary reasons, are chargeable as a PCS movement and will be classified under the categories in subpars. a(3) and (4), as appropriate. The travel costs of dependents and shipment of personal property of military members hospitalized under PCS orders are also chargeable as a PCS movement.

f. Reserve "Short Tours." Tours of duty served by Reserve personnel at the request and for the benefit of the active military personnel component for periods less than 20 weeks are defined as Reserve "short tours." Cost of these tours, namely travel, per diem and other related expenses such as allowances for unaccompanied baggage, are chargeable to Operation and Maintenance, Navy (O&M,N) for Navy or Operation and Maintenance, Marine Corps (O&M,MC) for Marine Corps Reserve personnel. Reserve personnel on active duty for periods of 20 weeks or longer are considered to be on a PCS movement, the costs of which are chargeable to Military Personnel, Navy (MPN) for Navy or Military Personnel, Marine Corps (MPMC) for Marine Corps Reserve personnel.

3. FUNDING POLICY FOR CIVILIAN PERSONNEL PCS TRAVEL. The cost of PCS travel for Department of the Navy civilian employee is

administered at the activity level. Accordingly, when a Department of the Navy activity is responsible for the costs of a PCS movement of an employee, and that employee is paid from appropriated funds, such cost is chargeable to activity operating funds. The cost of PCS travel of an employee of a nonappropriated fund instrumentality is chargeable to nonappropriated funds. The Joint Travel Regulations, par. C1052, sets forth the specific assignments of financial responsibility for gaining and losing activities for PCS movements under specified circumstances.

Section VI: INTERSERVICE AND INTERDEPARTMENTAL RELATIONSHIPS

075200 GENERAL

The term "interservice support" includes all actions which result in the provision of support on a recurring basis (material, facilities, or services), between Department of Defense (DOD) components or between a DOD component and another Federal department or agency of the United States. Within DOD, uniform policies and procedures have been developed for the administration of interservice support (see par. 075201). A Support Agreement (DD Form 1144) normally will be executed as acceptance of interservice support arrangements. However, less formal agreements, such as a memorandum of understanding or letter of agreement, may be used for acceptance of interservice support arrangements. Functions performed by one organization in support of another are designated to be either on a common-servicing (nonreimbursable) or cross-servicing (reimbursable) basis. In some instances, by special agreement at the departmental level, arrangements are made for the joint funding and staffing of an activity. In such unusual cases, the normal policies for host-tenant agreements do not apply.

075201 POLICIES AND PRINCIPLES FOR INTERSERVICE AND INTERDEPARTMENTAL SUPPORT

1. POLICY

a. Interservice. Each Navy and Marine Corps activity may request interservice support from another Department of Defense (DOD) component having the capability to provide the support. Each Navy and Marine Corps activity may provide support to other DOD components to the extent of available capacity, provided that such support does not interfere ith the activity's regular mission.

★b. Interdepartmental. Requests for supplies and services from other Government departments are subject to statutory and administrative authority, and are accepted if such support does not interfere with the activity's regular mission.

2. PRINCIPLES

a. Dominant User. Interservice support assignments are made in accordance with the dominant user (principal consumer) concept where no conflict exists with any peculiar capabilities of other DOD components.

b. Execution. Interservice support agreements are executed at the lowest command level possible. Higher echelons of command normally issue policy as to the command level at which interservice support agreements may be executed. Disagreements or rejections of requests for support which cannot be resolved by commanders concerned will be forwarded for resolution through command channels.

c. Termination of Agreements. Support provided under the provisions of a support agreement by a Department of the Navy activity shall not be terminated unilaterally. Normally, a minimum of 180 days advance notice of a proposed termination shall be provided by either party to an agreement. Whenever possible, such notification should be timed so as to permit consideration of the necessary funding adjustments during the budget formulation process.

3. BUDGET POLICY

a. General. In instances where the Secretary of Defense or the Secretary of the Navy directs the performance of interservice support by a Department of the Navy activity, the programming, budgeting, and financing of such support will be the responsibility of the parent Navy or Marine Corps Command.

b. Reimbursement

★(1) Non-DOD Components. Logistic and/or administrative support furnished to United States Government departments/agencies other than DOD components is covered by specific written agreements when costs are significant and are to be recovered. Financial considerations required by proposed new interdepartmental support agreements should be staffed by the Comptroller (Budget and Management Policy and Procedures Division) prior to acceptance of such arrangements. When available, standard rates, as prescribed by the Office of Management and Budget (OMB), should be used as a basis for effecting reimbursement. However, when actual costs of support furnished differ significantly from standard costs, reimbursement should be based on actual cost.

(2) DOD Components. The general principle to be followed in the provision of logistic and/or administrative support to other DOD components is that the performing activity should recover by reimbursement its net additional identifiable costs, using standard costs or rates to the maximum extent possible. For example, by agreement of the military departments, reimbursement for use of administrative support aircraft is based on the standard rate contained in Air Force Regulation 76-11, Military Airlift, U.S. Government Rate Tariffs. When a standard rate for an aircraft is not available, a rate is developed locally, based on flying hour program cost data. By mutual agreement, however, insignificant support may be nonreimbursable.

★4. SOURCE DOCUMENT. Additional information related to the subject covered in this paragraph is contained in the current issuance of DOD 4000.19-R.

075202 FINANCIAL ADMINISTRATION OF INTERSERVICE SUPPORT

★1. SCOPE. Interservice support under equitable procedures between an element of the Department of the Navy (DON) and another military department, Defense agency, or Federal department, is encouraged when such arrangements result in effectiveness and economy. Support agreements for provision of facilities and services between Department of Defense (DOD) activities may be executed on a reimbursable or nonreimbursable basis. Support performed by Navy and Marine Corps activities for other DOD activities normally is reimbursable to the host unless otherwise directed by the Secretary of Defense, the Joint Chiefs of Staff, or the Secretary of the Navy. The provision of logistic support by a DON activity to other Federal departments and agencies is executed on a reimbursable basis and is subject to the establishment of statutory authority to provide such support. The Economy Act (31 U.S. Code 1535 and 1536) or other applicable laws should be cited as authority for entering into such support agreements.

2. DEFINITIONS

a. General. Support encompasses services provided to receiving activities, such as maintenance of facilities, telecommunications, and police and fire protection, which require labor, material, or utility costs for performance. The terms "host" and "tenant" are synonymous with "provider" and "receiver," respectively. Support is termed "cross-service" when reimbursable and "common-service" when nonreimbursable.

b. Facilities. The physical plant encompassing land and improvements thereto on military department installations or leased by or otherwise controlled by these departments. Improvements include buildings or other structures and real property installed equipment. Facilities are further defined for determination of financial responsibility as set forth in subpars. (1) through (3).

(1) Common-Use Facility. A "common-use facility" is defined as a separate building or

structure in which space is used in common by both host and tenant. Examples include dining halls, chapels, theaters, and banks.

(2) Joint-Use Facility. A "joint-use facility" is defined as a separate building or structure that is jointly occupied when specific space has been designated for the sole use of each of the occupants, e.g., a 2-story building in which the second floor or a portion thereof is designated for occupancy by a tenant.

(3) Sole-Use Facility. A "sole-use facility" is defined as a separate building or structure which is designated for the sole use of the tenant.

c. Telecommunications. Telecommunications includes any transmission, emission, or reception of signs, signals, writings, images, and sounds or information of any nature by wire, radio, visual, or other electromagnetic systems.

3. RESPONSIBILITIES. The provider and receiver of interservice support rendered on a continuing or recurring basis shall execute a written agreement, normally by use of a Support Agreement (DD Form 1144), to define and limit the support to be provided and to reflect financial responsibility. Agreements for reimbursable support should be consistent with the policies stated in subpars. 4 through 7 and should disregard details of negligible consequence in calculating costs. Costs will not be allocated or prorated merely to provide a basis for billings (see par. 075003). Under uniform DOD policy, a host military department shall insure that support provided to tenants is not reduced disproportionately as a result of reduced availability of resources.

★4. REIMBURSEMENT. Under cross-servicing arrangements, the basis for cost reimbursement is determined on the net additional identifiable costs of support furnished. Under uniform DOD policy, Voucher for Transfers Between Appropriations and/or Funds (Standard Form 1080) will not be prepared for the cost of support provided to a tenant which amounts to less than $100 within a fiscal quarter. This provision for a waiver of reimbursement for amounts of less than $100 per quarter does not apply to stock fund transactions or support provided by activities which operate under an industrial fund. Common-servicing between DOD activities, including activities which operate under an industrial fund, is directed for military family housing, medical and dental care, warehousing (provided that the requirements do not exceed the existing capability of the servicing activity or involve significant, unbudgeted costs; in the latter event, space and services shall be furnished on a cross-servicing basis until such time as the servicing activity can budget the requirements), operation of dining facilities, and the meals provided to enlisted personnel. Military labor is not reimbursable between DOD activities. The cost of military labor provided to non-DOD Federal departments and activities will be billed in accordance with applicable directives.

5. FACILITIES AND SYSTEMS

a. General. Host and tenant responsibilities with respect to facilities and systems are set forth in subpars. (1) through (5).

(1) Common-Use Facility. The military department which has command responsibility over the host is responsible for all costs associated with the provision of a common-use facility.

(2) Joint-Use Facility. The military department which has command responsibility over the host is responsible for costs necessary to acquire, construct, rehabilitate, install equipment, or otherwise make usable a facility which is planned for the joint use of the host and tenant. However, when conversion, alteration, modification, initial repair, or installation of equipment for an existing facility is a requirement of the tenant, and would not otherwise be accomplished by the host, the cost of the required work is a tenant responsibility.

(3) Sole-Use Facility. The parent organization of the tenant is responsible for all costs associated with the provision of a facility for the sole use of the tenant. Upon termination of tenancy, when the tenant has property title and accountability for the facility, such title and accountability shall be transferred to the host military department without reimbursement.

(4) Utility, Communication, or Transportation System. The military department which has command responsibility over the host is responsible for costs necessary to extend, expand, or increase the capability of the main or primary utility, communication, or transportation system when such actions are done in compliance with the approved master plan of the installation. Requests for exceptions to this policy must be forwarded through command channels for the approval of the Secretary of Defense. The parent organization of the tenant is responsible for costs necessary to extend, expand, or increase a secondary utility, communication, or transportation system which is an integral part of a sole-use facility and which connects with the main or primary system.

(5) Maintenance of Facilities. Routine maintenance and cyclical repair, as prescribed in regulations of the host, which is performed on facilities including sole-use facilities to which the host holds title, is the financial responsibility of the host. Costs arising from maintenance or repair which is considered to be beyond that prescribed by host regulations, and which is performed at the request of the tenant, is reimbursable by the tenant. Maintenance performed on facilities to which the tenant holds title is the financial responsibility of the tenant.

6. TELECOMMUNICATIONS. The cost of normal recurring voice and record telecommunications is considered nonidentifiable and therefore shall be provided by the host without reimbursement. Noncommon telecommunications costs which are subject to possible reimbursement are:

1. voice—the charges for toll and identifiable additional messsage units, installation and relocation costs, special services and devices required by a tenant, such as data phones, speaker phones, call directors, and private leased lines;
2. data/record—the charges for private line services and leased equipment, such as TWX, TELEX, and FACPHONE, and off-line message preparation using optical character reading machines or other special equipment when such equipment is not required by the host's telecommunications center.

7. UTILITIES. The cost of utilities consumed in common-use facilities is the financial responsibility of the host. In joint-use and sole-use facilities, utilities will be furnished to tenants on a cross-service basis for utilities consumed based on departmental regulations of the host. Quantities consumed will be based on meter readings, if available, or engineering estimates made by the host where meters are not available.

8. SOURCE DOCUMENT. Additional information related to the subject covered by this paragraph is contained in the current issuance of DOD 4000.19-R.

075203 UNIFIED COMMANDS

★ 1. POLICY. The Secretary of Defense, through the Joint Chiefs of Staff, has established eight unified commands worldwide with assigned operational missions for a fixed geographical area. They are as follows:

1. U.S. Pacific Command,
2. U.S. European Command,
3. U.S. Southern Command,
4. U.S. Atlantic Command,
5. U.S. Central Command,
6. U.S. Special Operations Command,
7. U.S. Space Command,
8. U.S. Transportation Command.

★ 2. FUNDING. As the Secretary of Defense has assigned administrative and logistic support responsibility for the Headquarters of the Commander in Chief, Pacific (CINCPAC) and the Commander in Chief, Atlantic (CINCLANT) to the Department of the Navy, the Navy is responsible for the programming, budgeting and funding of these two commands. The Department of the Army funds the European and Southern Commands. The Department of the Air Force funds the Central, Special Operations, Space, and Transportation Commands.

3. SUBORDINATE COMMANDS. The Navy funds the Headquarters support of the U.S. Military Assistance Command Thailand through

CINCPAC. The Navy likewise funds Joint U.S. Military Advisory Groups (JUSMAG's and MAAG's) located in the Pacific area through CINCPAC. Additionally, Navy funds Navy-peculiar type functions of the Navy sections in the MAAG's located in Europe. These functions include travel of Navy members to hospitals, conferences of Navy personnel, and Navy forms and publications.

4. FUND SOURCE. The Office of the Chief of Naval Operations budgets and funds for support of unified commands and subordinate commands assigned to Navy for administration.

075204 SINGLE MANAGERS

1. GENERAL. The single manager concept is employed, as appropriate, for the management of commodities, common-service activities, and functional areas. The objectives are to eliminate duplication and overlapping of effort between and within military departments and agencies and to improve effectiveness and economy of supply and service operations throughout the Department of Defense (DOD). Specific single manager assignments are made by the Secretary of Defense (SECDEF). Under the mutual agreement of the military departments, the single manager concept is applied to training of military and civilian personnel in service-operated schools in order to consolidate the provision of joint use services where possible within the military departments.

2. DEFINITIONS

a. Single Manager. A single manager is the Secretary of a military department, or his representative, who has been tasked with the responsibility for the organization and operation of a particular single manager assignment. Such assignments are made typically for procurement of a specific commodity, either on a recurring or nonrecurring basis, or for provision of a service to be made available to all DOD components on a reimbursable or nonreimbursable basis. The term "single manager" also is descriptive of the manager responsible for providing joint use services as agreed to by the military departments, although not specifically designated by SECDEF.

b. Common-Service Activity. A common-service activity is an operating agency providing a support-type service utilized by two or more DOD components on a reimbursable or nonreimbursable basis.

c. Operating Agency. An operating agency is the organization established or designated by the single manager for the purpose of carrying out the single manager assignment. The Military Sealift Command is an example of an operating agency organized as a common-service activity.

d. Executive Director. The executive director is the official designated by the single manager to manage the operating agency. He directs and controls all assigned functions subject to the authority, direction, and control of the single manager.

3. SINGLE MANAGER ASSIGNMENTS. When the Secretary of Defense has made a specific single manager assignment, the other military departments progressively will eliminate duplicate functions and activities which have become the responsibility of the single manager. Specific single manager assignments to the Department of the Navy (DON) include:

1. ocean transportation, for which the Military Sealift Command (MSC) has been designated as the operating agency;
2. explosive ordnance disposal technology and training (EODT&T), for which the Armed Forces Explosive Ordnance Center, Department of the Navy, has been designated as the operating agency under which the Naval Ordnance Disposal Facility and the Naval School, Explosive Ordnance Disposal, are responsible for EOD research technology and mission training support respectively;
3. procurement of a variety of commodities and services.

4. COMMON TYPE SPECIALIST TRAINING. By mutual agreement between the military

services, common type specialist training, which qualifies an individual to perform an identical function in more than one military service, is conducted where possible under single manager concepts. The military service accepting single manager responsibility by means of a specific agreement for the provision of interservice courses of instruction in a given area of technical specialty provides school facilities and accepts students from participating services.

5. BUDGET POLICY

a. General. Each military department and Defense agency budgets for material or identifiable services received from a designated single manager except that training is conducted on a nonreimbursable basis for DOD personnel.

b. Ocean Transportation. Operations of MSC are carried out under a Navy Industrial Fund charter (see par. 074621). All users budget for services provided by MSC.

c. Explosive Ordnance Disposal Technology and Training. The DON budgets under the Research, Development, Test and Evaluation, Navy appropriation for EODT&T conducted at the Naval Ordnance Disposal Facility and under the Operation and Maintenance, Navy appropriation for the training support conducted at the Naval School, Explosive Ordnance Disposal.

d. Common Type Specialist Training. The military service responsible for common type specialist training under single manager concepts budgets for the operating costs of the schools in which such training is conducted. The participating military services furnish administrative and instructor personnel to augment school staffing in proportion to their respective share of the student load. Military and civilian personnel of DOD components and the United States Coast Guard attend courses of instruction administered under single manager concepts on a tuition-free basis.

075205 MEDICAL SERVICES

1. GENERAL. In the interest of efficiency and economy, certain armed forces medical laboratories, preventive medicine units, and disease vector control centers are jointly utilized. Services are made available upon request to all installations of the Departments of the Army, Navy, and Air Force.

2. BUDGET POLICY. The general budget policy is that the services furnished by certain armed forces medical laboratories, preventive medicine units, and disease vector control centers will be on a nonreimbursable basis. The exception to this policy is that travel and per diem expenses of personnel of Army or Air Force laboratories furnishing services to activities of the Navy are reimbursable. Normally, this is a Naval Medical Command budgeting and funding responsibility. Likewise, the Navy is to be reimbursed for travel and per diem expenses for personnel of the Navy medical laboratories, preventive medicine units, and disease vector control centers furnishing services to activities of the Army and Air Force. Under conditions of prior approval, the Army will reimburse the Navy for services provided to the Air Force.

3. SOURCE DOCUMENT. Further detailed procedures concerning this paragraph are contained in the current issuance of NAVMEDINST 6200.1.

075206 MAJOR RANGE AND TEST FACILITIES

1. GENERAL. The Secretary of Defense has designated specific DOD facilities as encompassing the Major Range and Test Facility Base (MRTFB) and has established policies for their use, management, and operation. The MRTFB is a national asset which is operated and maintained primarily for

DOD test and evaluation support missions and also available to all users having a valid requirement for its capabilities. The MRTFB is composed of the following activities:

MANAGEMENT MILITARY DEPARTMENT	ACTIVITY
Army	White Sands Missile Range (WSMR) Kwajalein Missile Range (KMR) Yuma Proving Ground (YPG) Dugway Proving Ground (DPG) Electronic Proving Ground (EPG) Aberdeen Proving Ground (APG)
Navy	Pacific Missile Test Center (PMTC) Naval Air Test Center (NATC) Naval Weapons Center (NWC) (T&E portion only) Naval Air Propulsion Center (NAPC) Atlantic Undersea Test and Evaluation Center (AUTEC) Atlantic Fleet Weapons Training Facility (AFWTF)
Air Force	Eastern Space and Missile Center (ESMC) Western Space and Missile Center (WSMC) Arnold Engineering Development Center (AEDC) Tactical Fighter Weapons Center (TFWC) (Range Group only) Air Force Flight Test Center (AFFTC) (Includes Utah Test and Training Range) Armament Division (AD) 4950th Test Wing

2. UNIFORM FUNDING POLICY

a. General. Funding of the MRTFB is designed to assure the most effective development and testing of material, as well as to provide for interservice compatibility, efficiency, and equity without influencing technical testing decisions or inhibiting legitimate and valid testing.

b. DOD Users. DOD component users shall reimburse the activity for direct costs which can be identified readily with particular program support excluding military labor costs. Direct costs include labor, material, minor construction, utilities, equipment, supplies, and any other resources damaged or consumed during testing or maintained for a particular user. The cost of each direct labor hour shall be in accordance with NAVCOMPTINST 7300.98 (DOD Accounting Manual), and requires identification to a job or function served. This reimbursable policy does not apply to the operating forces within the claimancy of the Commander in Chief, U.S. Atlantic Fleet which utilize the Atlantic Fleet Weapons Training Facility (AFWTF).

c. Other Federal Agencies. All other Federal agencies shall reimburse the activity for direct costs, including military labor, plus indirect costs excluding military retirement, depreciation, and the unfunded portion of civilian retirement. Indirect costs include management and other costs which normally are not identifiable to a particular program. The computation and application of indirect costs shall be documented by each activity and be available to the user.

d. Non-Federal Agencies. All non-Federal agencies and commercial users shall reimburse the activity for direct and indirect costs in accordance with par. 035875.

e. Standard Rates. The development and use of standard rates or fixed prices by activities is encouraged. Such rates shall be based on consistently applied costing practices for computing projected incurred cost.

f. Institutional Funding. The management command of each Department of the Navy activity which operates under the uniform funding policy will budget for and fund, under the Research, Development, Test and Evaluation, Navy appropriation (RDT&EN), the activity's indirect costs (including minor construction and investment items of a general nature) which are not chargeable to users on a direct cost basis. However, indirect costs of the AFWTF should be budgeted and funded under the Operation and Maintenance, Navy appropriation for expenses and the Other Procurement, Navy and Military Construction, Navy appropriation for applicable investments. Institutional funding for AFWTF should include those costs necessary for utilization of the facility by the operating forces within the claimancy of the Commander in Chief, U.S. Atlantic Fleet.

3. SOURCE DOCUMENT. Responsibilities, scheduling policy, and additional funding guidance are contained in the current issuance of OPNAVINST 3900.25.

075207 OVERSEAS DEPENDENT SCHOOLS

★1. DEPARTMENTAL RESPONSIBILITIES. Under the policy guidance and direction of the Assistant Secretary of Defense (Manpower Installations and Logistics) (ASD(MI&L)), the Office of Overseas Dependents Education (OODE) is responsible for developing policy and technical program guidance for operation of the Overseas Dependents Education System. Under this overall responsibility, the OODE administers the Overseas Dependents Education Program in 3 geographical school areas: European, Pacific, and Atlantic. The Department of the Navy (DON) is assigned the responsibility for operation of, and administrative support for, school system activities located in the Atlantic area, which includes North, Central, and South America, and islands in the Atlantic. This includes the authority and responsibility to approve and pay tuition in all tuition-fee schools within the assigned area. The Department of the Army is assigned responsibility in the European area, which includes countries in Europe, Africa, and Asia to 90°E. Longitude. The Department of the Air Force is assigned responsibility in the Pacific area, which includes countries in the Far East to 90°E. Longitude, Australia, and New Zealand. Additionally, each military department is responsible for providing logistical support to dependent schools at its overseas installations.

2. DEFINITIONS

a. Overseas Dependent Education System Schools. Overseas dependents schools are schools established by the Department of Defense (DOD) in overseas areas (with the exception of Alaska, Hawaii, Puerto Rico, Guam, the Virgin Islands, and Wake Island) for the purpose of providing primary and secondary education for minor dependents of DOD military and civilian personnel stationed overseas.

b. Logistical Support. Logistical support includes the provision of suitable and adequate school facilities; dormitories (when required); area and district offices; all equipment normally attached to the building; school logistics personnel; services, such as maintenance and repair of facilities, custodial, transportation of students, utilities, school lunch (where required); housing for school personnel and other logistical services necessary to enable the geographic manager to accomplish his mission.

c. School-Unique Items. School-unique items are those items of supply, materials, and equipment peculiar to the operation of an educational program which are not usually available through normal military supply stocks. School-unique equipment includes all moveable items of equipment and furniture used in the educational program, which are not normally attached to a building, or when installed, do not become a part of the building. Examples of school-unique items or equipment are shop power tools, special equipment in home economics rooms, such as stoves and refrigerators, and language laboratories.

d. Professional School Personnel. Professional school personnel are those civilian personnel employed in the DOD Overseas Dependents Schools System, either on a school year or calendar-year basis, whose duties involve classroom or other instruction or administration, supervision, or direction of school programs, including other school positions which require academic credits in educational theory and practice.

e. Educational Costs. Educational costs include the following kinds of items:

1. costs (salaries and wages, travel allowances, overseas allowances, and Government contributions) of all assigned professional school and clerical personnel;
2. costs of all school-unique items, including textbooks, library books, reference books, other instructional materials, and equipment as defined in subpar. c;
3. consultant services to professional school and other school personnel in the educational program;
4. costs associated with the attendance of pupils in tuition-fee schools including room and board when required and authorized daily school bus transportation;
5. cost of correspondence courses obtained through approved channels;
6. cost of office supplies.

3. STUDENT TUITION POLICY

a. DOD Students. All dependents of DOD military and civilian personnel attend service-operated and tuition-fee schools on a common-service basis (no reimbursement).

★b. Tuition for Non-DOD-Sponsored Students. Tuition is charged for students who are not sponsored by DOD. Tuition rates are developed annually and approved by ASD(MI&L) for use by the superintendents of the respective school areas in charging tuition for students eligible for enrollment who are dependents of non-DOD personnel.

4. BUDGET POLICY

a. Office of Overseas Dependents Education. The OODE is responsible for the centralized financial management of the overseas dependents schools. With the exception of military personnel requirements, the OODE programs, budgets, and funds all costs of the overseas dependents schools. The OODE provides guidance to the superintendents of the respective school areas for the preparation of geographic area budget estimates. The OODE provides a suballocation from the Operation and Maintenance, Defense Agencies appropriation for operation of dependents schools within the geographical school areas and receives financial reporting on the status of these funds.

b. Chief of Naval Education and Training. Within DON, the Chief of Naval Education and Training (CNET) is responsible for operating and administering the Overseas Dependents Education System activities located in the Atlantic area. The educational and logistical support costs of all dependents schools in the Atlantic geographical area are funded by CNET from operation and maintenance resources made available by a suballocation issued by the OODE directly to CNET. Similarly, investment requirements are also financed by the

OODE. The funding responsibility includes the administration of any dollar limitations imposed by the OODE for the Department of the Navy. The Superintendent of the Atlantic area, under the command of CNET, formulates the budget estimates for the Atlantic area. The budget estimates are submitted directly to the OODE.

c. Commandant of the Marine Corps. The Commandant of the Marine Corps is responsible for programming educational costs associated with the attendance at tuition-fee schools, worldwide, by dependent children of Marine Corps personnel assigned to Marine Security Guard Detachments. CNET assigns an appropriate share of any overall Department of the Navy dollar limitation for this program to the Commandant of the Marine Corps, who controls the authorizations for attendance at tuition-fee schools by dependents of Marine Corps personnel assigned to embassy duty worldwide.

d. Logistical Support. In all geographic areas, logistical support provided by each military service for those schools located on its bases or installations is subject to reimbursement by the bases or installations subject to reimbursement by the military department having geographic responsibility. Reimbursable agreements between base commanders and appropriate school officials (Area Superintendent), indicating the level of support to be provided and the related costs, must be effected each year within 60 days after the opening of school. The agreements include the estimated costs of military service (including military personnel costs) to be provided. However, military personnel costs are not reimbursable.

e. Construction. The OODE programs, budgets, and funds for construction of school facilities costing in excess of $100,000 at its installations. Primary responsibility for military construction projects at naval installations is assigned to the Commander, Naval Facilities Engineering Command.

075208 DEFENSE LOGISTICS AGENCY

1. PURPOSE. This paragraph delineates basic guidance concerning financial relations between the Department of the Navy and the Defense Logistics Agency (DLA).

2. BUDGET POLICY

a. General. The Department of the Navy (DON) has financial relationships with DLA in several major program areas. The policies and principles governing interservice support (see par. 075361) are applicable to most DON relationships with DLA. However, specialized arrangements have been established for certain program relationships, as indicated in subpars. b, c, and d.

b. Disposal. DLA has administrative and funding responsibility for Defense Property Disposal Activities, and support provided to these activities is subject to reimbursement in accordance with policies stated in par. 075202. Additional policy guidelines for reimbursement to DON for expenses incurred in connection with the preparation for and the disposal of personal property are contained in par. 075141.

★c. Warehousing. The current issuance of DOD Directive 4145.19 states that warehousing services which are provided to DLA will be funded on a common-service basis, except where such services are beyond the existing capability of the performing activity and involve significant, unbudgeted costs. In such cases, an exception is authorized, permitting the provision of these services to be funded on a reimbursable basis. The specific schedule of services and charges for cross-serving, where applicable, will be in accordance with par. 035807.

d. Subsistence. DLA has developed the World-wide Integrated Management of Wholesale Subsistence Program (WIMS), a totally integrated subsistence management program which includes:

1. world-wide management of wholesale subsistence stocks to the consumer level;
2. funding of subsistence stocks including mobilization reserve inventories by the DLA division of the Defense Stock Fund (DSF); and
3. administrative support to DLA to be funded by the military services.

Normal Stock Fund procedures will govern the procurement of subsistence items. However, there are specific funding arrangements for the related transportation. Transportation movements within the scope of the procedures for distribution of transportation costs outside the United States under WIMS are budgeted and funded by DLA within the DSF. These transportation costs are recovered from operating appropriations of the military services through the application of accessorial charges. Further, the basis for allocations of transportation costs to the military services will be the dollar value of billings for subsistence to overseas customers. The transportation which is covered by these procedures includes transportation of subsistence:

1. from continental United States (CONUS) ports to first destination overseas, including DLA wholesale storage points overseas; and
2. between DLA wholesale storage points overseas; and
3. from overseas vendor sources to first destinations overseas, including DLA wholesale storage points and direct deliveries to customer activities.

However, the funding of transportation to Alaska and Hawaii, as well as transportation from DLA wholesale storage points overseas to consuming activities are excluded from these procedures.

e. Hazardous Waste Disposal Activities. The military services have assumed financial responsibility from DLA for their own hazardous waste disposal operations. Beginning in FY 1987, the DON budget will include Operation and Maintenance funds for hazardous waste disposal operations. Environmental restoration activities, however, will be funded via the DOD transfer appropriation entitled "Environmental Restoration, Defense."

075209 PACKING, CRATING, HANDLING, TRANSPORTATION, STORAGE, AND REMOVAL OF INDUSTRIAL PLANT EQUIPMENT

1. GENERAL. In order that idle Industrial Plant Equipment (IPE) may be reutilized to the maximum extent possible, the Defense Logistics Agency (Defense Industrial Plant Equipment Center (DIPEC)) under certain conditions directs the storage or movement of IPE that is required to meet planned current or future needs. This paragraph delineates the funding responsibility for packing, crating, handling, and transportation (PCH&T) costs and storage and removal costs related to the movement of idle IPE from DIPEC facilities, from Navy activities, or from contractors' plants.

2. POLICY

a. PCH&T Costs. When an item of IPE is moved on the basis of movement notice issued by DIPEC, notwithstanding the fact that it may be received via a Department of the Navy (DON) central inventory manager, all costs incurred for PCH&T are the funding responsibility of DIPEC. When the movement of an item of IPE is directed by a DON command, all related PCH&T costs are the funding responsibility of the DON directing command or a designated subordinate activity. The directing DON command also is responsible for PCH&T costs in connection with the transfer of items of IPE in DON industrial preparedness packages (Assistant Secretary of Defense approved packages) stored at DIPEC facilities; DON-controlled IPE items; and items in the DON prepositioned war reserve stocks, whether or not stocked at DIPEC facilities.

b. Storage and Removal Costs

(1) Contractor-Owned Facilities or Contractor-Operated Government Facilities. When DIPEC prescribes on-site storage of IPE items at contractor-owned facilities or contractor-operated Government facilities for a period beyond that covered by a production or facilities contract, DIPEC will fund and contract separately for all storage and removal costs. Upon completion of a DON contract, if removal of an IPE item is required without additional storage, removal costs are considered to be a part of the contract and are chargeable thereto.

(2) DON Activities. At DON activities, idle IPE that has been reported to DIPEC for redistribution becomes DIPEC property. If DIPEC requests on-site storage of the IPE, it will be accomplished by the activity without reimbursement. In addition, if the DON activity requires that the item be removed from its working location to a storage location at the same activity, the removal costs will be absorbed by the DON activity. Any subsequent costs of removal from storage pursuant to a DIPEC movement notice will be the funding responsibility of DIPEC. When IPE items are to be removed

from the DON activity immediately upon becoming available for redistribution, the cost of removal will be funded as follows:

1. from operation and maintenance funds supporting nonindustrial activities,
2. as an overhead cost of the applicable production cost center at industrial-commercial activities.

075210 GENERAL SERVICES ADMINISTRATION

1. GENERAL. Pursuant to the provisions of Public Law 92-313, all Federal agencies are subject to standard level user charges for space, services, and facilities provided by the General Services Administration (GSA) in both Government-owned and leased space. The rates for these charges are approximately equivalent to commercial charges for comparable space and services. In addition, services above the level included in the standard level user charges that are furnished by the GSA are billed directly to the ordering activity.

2. BUDGETING

a. General. All the estimated cost of payments to the GSA Federal Buildings Fund for space occupied by elements of the Navy, both within and outside the National Capital Region (NCR), including the Department of the Navy (DON) Secretariat and Staff Offices, is included in Budget Activity 9 of the Operation and Maintenance, Navy (O&MN) appropriation. All fund requirements for space occupied by elements of the Marine Corps, within and outside the NCR, are included in Budget Activity 9 of the Operation and Maintenance, Marine Corps (O&MMC) appropriation.

b. Budget Preparation. The Chief of Naval Operations (CNO) through his designated agent prepares appropriate budget backup exhibits on total Navy requirements to be reflected in the various phases of budget formulation and execution review. These exhibits combine NCR space data obtained from the Administrative Officer, Navy Department, and data on Navy space occupancy outside the NCR obtained from GSA as transmitted to the DON by the Assistant Secretary of Defense (Manpower Installations and Logistics). The Commandant of the Marine Corps (CMC) similarly prepares appropriate budget backup exhibits based on NCR space data obtained from the Administrative Officer and data on Marine Corps space occupancy outside the NCR that is obtained from CNO or his designated agent.

3. CERTIFICATION AND PAYMENT OF BILLS

a. Procedure. The DON receives a single billing from the Assistant Secretary of Defense (Comptroller) (ASD(C)) for space assigned to the DON within the NCR, and another billing from GSA for all space assigned to the DON outside the NCR.

b. NCR Space. The Administrative Officer, Navy Department receives from the ASD(C) requests for advances or payments for the DON share of space and facilities assigned to the Department of Defense (DOD) in the NCR. He certifies the validity of the billings or endorses the requests for advances, prepares a proportional distribution of charges between the Navy and Marine Corps, and passes them to the CNO or his designated agent to process for payment, subject to appropriate coordination with Headquarters, Marine Corps.

c. Space Outside the NCR. The CNO or his designated agent, upon receipt of the billing from GSA for all assigned space, services, and facilities outside the NCR, obtains requisite certifications, including appropriate Marine Corps coordination, and processes for payment the proportional share applicable to Navy and Marine Corps funds.

4. MANAGEMENT RESPONSIBILITY. The CNO, the CMC, and DON staff offices have the responsibility for ensuring that space usage by subordinate commands appropriately emphasizes efficient and effective usage and that plans concerning space changes are made with due consideration

of the fiscal impact. It will be necessary to provide funding for costs which may be incurred as a result of decisions on space changes which are made subsequent to submission of the DON budget to OSD and which result in an overall increase in rental costs. For such changes outside the NCR, Navy major claimants must ascertain whether CNO can make budgetary adjustments for funding of the first partial and/or full year of new occupancy which has not been included in the annual budget request. CMC must also make internal budgetary adjustments to accommodate the financial impact of out-of-cycle space decisions affecting Marine Corps costs. The Administrative Officer, Navy Department, will coordinate with CNO and CMC in connection with potential unfunded space occupancy decisions within the NCR to ensure that they can be accommodated within available resources. In addition to budgeting for the reimbursement to GSA for standard level user charges, CNO, CMC, subordinate commands, and activities will be required to reimburse GSA directly for special services above the level included in the standard level user charge (defined by GSA as those normally furnished by the private sector).

5. SOURCE DOCUMENT. Detailed information related to the subject covered in this paragraph is contained in the current issuance of SECNAVINST 7000.21.

075211 UNITED STATES POSTAL SERVICE

1. BASIS OF BILLINGS. By agreement between the Department of Defense and the United States Postal Service, sampling techniques are used as a basis to determine amounts payable for official mail. The United States Postal Service conducts continuous sampling at selected post offices to determine the types, classes, and volume of coded mail entering the postal system from Navy and Marine Corps activities. The results of the sampling are the basis for computing billings and they are provided periodically to CNO and Headquarters, Marine Corps to substantiate the United States Postal Service bills for official mail.

★2. BUDGET POLICY. The cost of official mail in the Department of the Navy is budgeted by CNO (OP-09BF) in the Operation and Maintenance, Navy appropriation and by Headquarters, Marine Corps in the Operation and Maintenance, Marine Corps appropriation. Estimates are based on the results of mail sampling discussed in subpar. 1, adjusted as required by subsequent events such as changes in postal rates.

075212 DEPARTMENT OF LABOR

1. PURPOSE OF FUND. Title 5 U.S. Code 8147 provides, in part, that each agency must include in its annual budget estimates a request for an appropriation equal to the amount of the total payments made by the Department of Labor in behalf of each department's employees. It further provides that funds appropriated pursuant to such requests shall be used to reimburse the Employees' Compensation Fund of the Department of Labor.

★2. BUDGETING PROCEDURES. In accordance with arrangements made by the Office of the Secretary of Defense, the Department of Labor provides statements of compensation benefits paid on account of injury or death of employees or persons engaged in military functions under the jurisdiction of each military department. The amounts so identified are included in the estimates for the Operation and Maintenance, Navy and Operation and Maintenance, Marine Corps appropriations for the forthcoming budget year, as appropriate.

3. BUDGET POLICY

★a. Navy Budgeting Responsibility. The Naval Military Personnel Command is assigned the responsibility to budget and fund for the Navy contributions to the Employees' Compensation Fund.

b. Marine Corps Budgeting Responsibility. Headquarters, Marine Corps is assigned the responsibility to budget and fund for the Marine Corps contributions to the Employees' Compensation Fund.

075213 UNITED STATES COAST GUARD

1. AUTHORITY. The United States Coast Guard, an agency of the Department of Transportation, is designated by statute to be a military department. Also, the statutes provide that the Secretaries of military departments may enter into agreements whereby services, equipment, and material may be provided with or without reimbursement. The statutes further provide that in time of war the Coast Guard will become a part of the U.S. Navy. In the accomplishment of Navy mission responsibilities, the United States Coast Guard, by operational and joint financial and logistic agreements with the Navy, has provided support in naval operations requiring its expertise.

2. BUDGET POLICY. The Navy has historically budgeted for and provided to the Coast Guard, in readiness for hostilities, major ordnance and communications equipment for shipboard installation as well as the initial spares for such equipment. The Coast Guard normally budgets for additional spare and repair parts for such equipment. Principles covering this logistic and budgetary support are covered in formal agreements between the Chief of NavalOperations andthe Commandant of the Coast Guard.

3. SOURCE DOCUMENT. Additional information related to the subject covered by this paragraph is contained in the current issuance of OPNAVINST 4000.79.

075214 STATE DEPARTMENT

1. POLICY. Under Office of Management and Budget policy, the State Department is required to bill and obtain reimbursement for costs incurred by State Department overseas activities providing support to activities of other U.S. agencies. The term applied to this support function is "State Department Foreign Affairs Administrative Support (FAAS)" (see subpar. 2).

2. FOREIGN AFFAIRS ADMINISTRATIVE SUPPORT. FAAS includes personnel services, budget and fiscal services, general services, communications services, security services, management services, and other direct services provided by State Department overseas activities to other agencies' activities.

3. FAAS AGREEMENTS. At least once each fiscal year, the respective State Department overseas activities and each supported activity enter into local agreements covering the services estimated to be provided and the amount to be reimbursed for such services. The State Department activities measure services and related costs in accordance with standard work factors and formulas promulgated by the Department of State.

4. NAVY FUNDING. The funds for the services in subpar. 2 are budgeted by the Navy component assigned funding responsibility for the activity receiving the FAAS services. The Office of the Chief of Naval Operations budgets for unified commands for which the Navy has been assigned financial responsibility. The parent office or command budgets for FAAS services provided to its subordinate activities.

5. SERVICES PROVIDED BY DEPARTMENT OF THE NAVY. The value of services provided by Navy and Marine Corps activities to State Department activities are offset against the consolidated billings submitted by the State Department for FAAS. However, this does not apply to services of Marine Corps guards provided under the Marine Security Guard program which is governed by the Memorandum of Understanding between the Department of State and the U.S. Marine Corps.

6. OFFSET PROCEDURES. The State Department issues a single billing for all Navy FAAS. The Chief of Naval Operations (OP-09BF) has been designated as the Navy office to receive the bill for offset and settlement action. The parent claimant of each activity receiving services from the State Department will provide OP-09BF with certification of services received and the appropriate fund citation to be charged. Prior to the citing of funds, offsetting adjustments will be made for support provided to State Department activities. For this purpose, claimants assigned funding responsibility for

Navy activities providing support to State Department activities overseas will report to OP-09BF the estimated costs to be incurred for a full fiscal year. This report is due on 30 April for the fiscal year being reported on.

075215 NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

1. GENERAL. A joint agreement between the Department of Defense (DOD) and the National Aeronautics and Space Administration provides specific guidance for estimating, budgeting, and billing for contract administration and related support services provided to the National Aeronautics and Space Administration (NASA) (see par. 035840).

2. POLICY. A basic hourly rate is applied to the actual direct hours worked for NASA by the Navy and includes the following elements of cost:

1. direct labor,
2. indirect labor,
3. fringe benefits,
4. travel,
5. administrative support.

The hourly rate is reviewed annually and adjusted if necessary to reflect cost charges resulting from wage increases and changing workload. NASA-authorized overtime will be applied at the currently established overtime billing rate.

3. PROCEDURES

a. Estimating. The Chief of Naval Operations (CNO) provides NASA with estimates by 15 April and 15 October each year of the total reimbursable costs projected for the current and budget fiscal years. Estimates are based on uncompleted contract administration services, audit work on hand, and estimates of work to be performed on NASA delegations. Reimbursements earned are continuously reviewed to ascertain whether they are in line with annual cost estimates. NASA is advised promptly of any significant (5 percent variation) revisions considered appropriate. CNO advises NASA by 20 June of any such revision for the current fiscal year.

b. Billing. Each Navy activity bills NASA directly for work it performs under a prime delegation from NASA, or under redelegations therefor from other DOD activities. Bills, submitted monthly to NASA headquarters, are broken down according to the NASA installation requesting the services as identified in the letter of delegation, showing the following information:

1. the month of performance;
2. each NASA prime contract number, direct hours worked, and dollar amounts extended where machine capability exists, except that for Equal Employment Opportunity compliance work, the name and location of the contractor or subcontractor is shown instead of a contract number;
3. total direct hours, the basic rate, and the total basic charge;
4. add-on charges for NASA-authorized overtime, identified by prime contract number;
5. indication of those contracts on which work has been completed and billing is final.

4. SOURCE DOCUMENTS. Additional information related to the subject covered by this paragraph is contained in pars. 035840-035842 and the current issuance of NAVCOMPTINST 7030.17.

★075216 MARITIME ADMINISTRATION

Naval ships of basic merchant design going to an inactive status are usually transferred to the custody of the Maritime Administration (MARAD) for assignment to the National Defense Reserve Fleet (NDRF). Funding for Navy assets in the NDRF will be provided as follows:

1. MARAD will budget for fleet additions, maintenance and operations for ships in the Ready Reserve Fleet (RRF);
2. Navy will budget for the costs involved in the support of all other NDRF ships in the custody of MARAD;
3. the authorized removal and replacement of equipment from ships transferred to MARAD is a funding responsibility of the activity requesting the equipment.

075217 SECRET SERVICE

1. GENERAL. In accordance with Public Law 94-524, the Department of Defense (DOD) has a responsibility to assist the Secret Service in the performance of its protective duties. A joint agreement between DOD and the Secret Service specifies that, upon request, DOD shall make available mechanical service, helicopter and other aircraft, motor vehicles, communication, and such other support as may be necessary to assist the Secret Service in the performance of its protective functions. Such support is provided on a temporary basis without reimbursement when assisting the Secret Service in its duties directly related to the protection of the President or the Vice President or other officer immediately next in order of succession to the Office of the President. Temporary services provided other protectees or any permanent provisions of services will be on an incremental cost basis.

★2. SPECIAL CLOTHING REQUIREMENTS. One aspect of support includes explosive ordnance disposal (EOD) and explosive detector dog (EDD) support for protective missions of the President, Vice President, and other selected dignitaries. Associated with such support is a requirement for EOD and EDD personnel to wear civilian attire while providing support to the Secret Service. A cash allowance is therefore authorized for personnel to acquire the necessary attire. Personnel performing these duties are not restricted to the 15-day limitation in connection with temporary duty.

★3. OTHER GUIDANCE. Specific details of the logistical assistance and other support which DOD provides to the Secret Service are provided in the current issuance of SECNAVINST 3020.4. Statutory requirements pertaining to uniform allowances and special clothing are delineated in 5 U.S. Code, sections 5901 and 7903, and 29 U.S. Code, section 668.

075218 NATIONAL SCIENCE FOUNDATION

1. GENERAL. The total program responsibility for the U.S. Program in Antarctica, including all funding management, was assigned to the National Science Foundation (NSF) on 1 July 1971 by executive action of the President. The Office of Management and Budget (OMB) guidance which provides for Federal agency support of this program directs the Department of Defense (DOD) to provide logistics and operational support. The Secretary of Defense designated the Secretary of the Navy as DOD Executive Agent for logistics and operational support of the program. The Secretary of the Navy designated the Assistant Secretary of the Navy for Research, Engineering and Systems (ASN(RE&S)) as the Navy coordinator. Within OPNAV, the Navy Program Sponsor is the Director, Environmental Services Division. However, the Assistant Secretary of Defense for International Security Affairs (ASD(ISA)) provides policy representation on Antarctica for DOD.

2. AUTHORITY. In accordance with a joint agreement between DOD and NSF, the Navy is the designated DOD Military Department (DOD/DMD) for providing the agreed DOD support for the U.S. Program in Antarctica by means of a support force, viz., Commander, U.S. Naval Support Force, Antarctica (CMSFA). By separate action of the Director, NSF, CMSFA is designated the senior U.S. representative in Antarctica. He serves as Executive Agent for and provides staffing to ASN(RE&S) in carrying out Navy responsibilities. In addition, as requested, he furnishes advice to ASD(ISA) in furtherance of the latter's responsibility to the Secretary of Defense for Antarctica policy guidance. The CMSFA is the DOD point of contact on all logistics support matters between NSF and various DOD/Department of Transportation organizations providing logistics support to the U.S. Program in Antarctica. An exception is the designated DOD/DMD aircraft squadron, currently, VXE-6, for which Commander, Antisubmarine Warfare Wing, U.S. Pacific Fleet, is the DOD point of contact. In executing responsibilities for operational management and control over those logistics support functions provided by DOD and assigned Coast Guard units, CMSFA develops fiscal, logistics, and operations plans annually prior to the operating season. These plans prescribe the activities that are under the cognizance of CMSFA. In addition, CMSFA exercises contractual authority over certain civilian contractor functions.

3. FUNDING POLICY. The agreement between DOD and NSF provides that NSF shall budget for and reimburse DOD/DMD for the essential logistics

support elements/functions. NSF is responsible for the programming, budgeting, and funding for all logistics support services requested by NSF and provided by DOD. The DOD is precluded from increasing the scope (adding new cost elements) of Antarctic logistics support services without the prior approval of NSF. The requirements of logistics support functions considered essential by NSF and DOD/DMD include:

1. Intercontinental airlift;
2. Intracontinental and field support airlift;
3. Sealift, including ice-strengthened cargo and bulk fuel carriers;
4. Facilities planning and engineering services;
5. Shore electronics, engineering, and maintenance;
6. Operational weather support including ice forecasting and ship routing;
7. General supply systems operations and management assistance, including parts allowance and inventory control support;
8. Subsistence, retail sales, welfare and recreation services;
9. Bulk fuel supply systems;
10. Contracting support and management services;
11. Experimental design, development and testing of equipment and methods to be used in the Antarctic environment;
12. Mechanical and health care service; and
13. Operational communications.

Civilian and military personnel needed to perform required functions form an integral part of the logistics support service. The following items that pertain to personnel services are specifically identified for reimbursement:

1. Civilian personnel costs to DOD, including compensation and related benefits, travel and per diem, which are incurred as a result of providing direct support to the U.S. Program in Antarctica.
2. Military personnel costs to DOD for (a) Man-year costs for full and part-time military personnel assigned to DOD operating units which provide logistics support will be based on DOD standard reimbursement rates, as amended. For personnel of units not dedicated to the U.S. Program in Antarctica, reimbursement is required only for the time spent in direct support; (b) Man-year costs for military personnel on detail to the NSF and those assigned to CMSFA and identified by the DOD for reimbursement. Such reimbursement shall be based on standard DOD rates, as amended; (c) Permanent change-of-station travel costs for military personnel upon assignment to the activities which provide full-time support to the U.S. Program in Antarctica. The DOD standard rate method will be used to compute costs; (d) Administrative support costs normally chargeable to Operation and Maintenance appropriations, based on DOD standard reimbursement rates, which shall include travel and per diem which are directed by or necessary for support of the U.S. Program in Antarctica.

4. SOURCE DOCUMENT. Additional information on the logistic and operational support which DOD activities provide to the U.S. Program in Antarctica is contained in the current issuance of SECNAVINST 3160.2.

Section VII: INTERNATIONAL RELATIONSHIPS

075240 GENERAL

As a corollary to the carrying out of assigned support responsibilities in connection with international treaty organizations or to the furnishing of supplies or services or performance of work for foreign governments, a precise delineation of funding relationships between the Department of the Navy and the international organization or foreign government is required. These relationships are usually governed by provisions of law or by Department of Defense directives and are stated in written agreements or memoranda of understanding. The involvement of the Department of the Navy may take one of the following forms:

1. furnishing support or material to the international organization or foreign government on a reimbursable basis,
2. furnishing support or material on a nonreimbursable basis when the performance is a mission responsibility stemming

from an administrative agent designation by the Department of Defense or when the support consists of routine port or airport services to friendly foreign governments performed by military personnel,

3. cost-sharing on a bilateral or multilateral basis with the host and other user nations of the operation and maintenance costs of the North Atlantic Treaty Organization infrastructure.

075241 DEFINITIONS

★1. ADMINISTRATIVE AGENT. The administrative agent is the Secretary of the military department charged with the determination of United States national requirements and provision of logistical and administrative support to a United States element of the particular international treaty involved. The support responsibility of the administrative agent includes complete supply support for consumable and nonconsumable material, with the exception of certain initial issuances made by the assigning service to its Table of Organization or equivalent type units and of personally assigned equipment provided by the assigning service. Military personnel costs are also the budgetary responsibility for each service for its own military personnel. Paragraph 035900 and Appendix D of Volume 3 provide general policy and accounting guidance with a list of the international agencies for which the Department of the Navy has been designated the administrative agent.

2. INTERNATIONAL BUDGET COSTS. International budget costs are those costs which normally are accepted into the international budget on the basis of international agreements and understandings. In general, they include the costs directly related to the operation and maintenance of international headquarters organizations and the provision of appropriately equipped facilities for that purpose. The United States' share of international budget costs is provided from the operating funds of the designated administrative agent.

3. NATIONAL BUDGET COSTS. National budget costs are those costs related to participation by agencies of the Department of Defense in support of international military headquarters which normally are not accepted into the international budget. Generally, these include all military personnel costs, whether for personnel who are on international staffs or who are attached to support units of a United States element; expenses for United States civilian personnel not assigned to international functions; and all other support costs excluded from international funding. The national budget costs except for military personnel costs and personally assigned equipment provided by the assigning service, are generally the responsibility of the administrative agent.

★075242 NORTH ATLANTIC TREATY ORGANIZATION INFRASTRUCTURE PROGRAM

1. DERIVATION OF NAVY FUNDING RESPONSIBILITY. The participation of the United States as a member nation of the North Atlantic Treaty Organization (NATO) requires a sharing of the financial responsibility for the common infrastructure program. The United States' share of the funding of each infrastructure facility is determined on the basis of cost-sharing agreements negotiated for each funding period between host and user nations and approved by the North Atlantic Council (NAC). The Department of the Navy is the sponsoring United States military department for those facilities required for support of United States Naval Forces assigned to NATO missions.

2. DEFINITIONS

a. Infrastructure. The term "infrastructure" as employed in connection with NATO facilities includes all those fixed installations required for the training, deployment, and operation of military forces; e.g., airfield, fuel and ammunition storage, pipelines, communications, navigational aids, anchorages, and waterfront facilities.

b. Common Funding. The term "common funding" describes the usual method of financing NATO infrastructure projects which involves the sharing of costs of construction by NATO member nations. Each nation's share is determined on the basis of periodically negotiated cost-sharing agreements, which are approved by NAC.

c. Prefinancing. The term "prefinancing," as related to NATO infrastructure, means the act of financing by NATO host country or NATO user country with its own funds, in accordance with agreed NATO common-funding procedures, with intent to recoup the prefinanced funds from NATO eventually, of projects or items which are required immediately and have been approved for common financing, or are still being considered for possible inclusion in a NATO infrastructure program.

3. BUDGET POLICY

a. Construction of Infrastructure Facilities

(1) Common Funding. The Assistant Secretary of Defense (Comptroller) has assigned the Department of the Army as executive agent with the responsibility for programming, budgeting, funding, accounting, and reporting of the United States' share of the NATO infrastructure program as an item in the military construction program.

(2) Correlation. The Department of Defense military construction program and the NATO infrastructure program must be closely correlated beginning at the initiating level and by each higher echelon of command, so the maximum amount of the United States construction requirements will be funded in the NATO common-funded infrastructure program in conformance with United States policy to keep to a minimum the amount of United States dollars being invested in real property facilities in the NATO area.

(3) NATO Host Nation Infrastructure Support. Standard life safety, fire protection, environmental, and energy conservation items which exceed the NATO minimum military requirement are not eligible for NATO infrastructure funding and normally must be conjunctively funded. In those instances when the United States acts as a host nation, these items will be funded by the annual MILCON project, "NATO Host Nation Infrastructure Support." In addition, the "NATO Host Nation Infrastructure Support"project will provide funding for roads, utilities, and unfunded administrative costs.

(4) Prefinancing. If a decision is made that United States military urgencies, when weighed against the risk of failing to secure common funding, require that a project for United States use be prefinanced by Department of Defense (DOD) appropriations, it may be funded, as appropriate, from appropriations for military construction, procurement, or if the project costs not more than 20% of the amount specified by law as the maximum amount for a minor military construction project, appropriations available for operation and maintenance (O&M and RDT&E) may be utilized. In such instances, the prescribed NATO procedures for prefinancing will be followed in order to assure ultimate recoupment of United States funds. Such recoupments, when collected, are credited to the North Atlantic Treaty Organization Infrastructure appropriation. In order to protect future recoupment rights, precautionary prefinancing statements will be issued for projects which may become eligible for NATO funding at a later time. DOD policy requires that prefinancing be held to an absolute minimum and that it be submitted to thorough screening by NATO authorities, negotiated with the host country, and approved through the United States chain of command. The Chief of Naval Operations serves as the focal point for establishing and interpreting Department of the Navy policy with respect to prefinancing of infrastructure projects, coordinating any changes in such policies with the Comptroller. In view of the fact that recoupments, even if achieved, are not credited to Navy appropriations, it is unlikely that prefinancing with Navy funds will be approved at headquarters level.

b. Operation and Maintenance. The Chief of Naval Operations has assigned responsibilities associated with participation of the United States Navy in the NATO infrastructure program to the Commander in Chief, Atlantic Fleet (CINCLANTFLT) and the Commander in Chief, U.S. Naval Forces, Europe (CINCUSNAVEUR). CINCUSNAVEUR is responsible for base services such as cargo port handling and local delivery cartage for mobile units associated with NATO infrastructure cost sharing in the continental European area. CINCLANTFLT has similar responsibility for all other NATO areas. For their respective areas of concern, they budget, fund, and administer within their operating budgets, all United States Navy operation and maintenance costs of the NATO infrastructure. The amount for which the United States Navy is responsible in connection with each common infrastructure facility of which it is a user depends upon agreements reached by the United States and the host nation for each facility.

4. SOURCE DOCUMENTS. Additional information related to the subject covered by this paragraph, particularly with respect to the financing of construction of NATO infrastructure projects, is contained in par. 074727 and the current issuance of OPNAVINST 4000.35

075243 SUPPLIES AND SERVICES TO FOREIGN GOVERNMENTS

1. AUTHORITY FOR REIMBURSABLE SUPPLIES AND SERVICES. Pursuant to law (10 U.S.C. 7227) and as authorized by Navy Regulations, Art. 0749, work may be performed for, or supplies and services provided to, friendly foreign governments on a reimbursable basis without a formal logistical services agreement between the Department of the Navy and the foreign country. The supplies and services which may be furnished on a reimbursable basis are as follows:

1. routine port services to naval vessels in territorial waters of the United States or in waters under United States control, including pilotage, tugs, garbage removal, line handling, and utilities;
2. routine airport services to military aircraft, including landing and takeoff assistance, use of runways, parking and aprons, and servicing;
3. miscellaneous supplies to naval vessels and military aircraft, including fuel, provisions, spare parts, and general stores, but not including ammunition (subject to the approval of the cognizant fleet or force commander when provided overseas);
4. subject to the approval of the Chief of Naval Operations in each instance, overhauls, repairs, and alterations to naval vessels and military aircraft, including necessary equipment and its installation required in connection therewith. OPNAVINST 4900.79 series applies.

When items 1 and 2 are performed by military personnel without direct cost to the Department of the Navy, such services are provided to friendly foreign governments without charge, except at industrial fund activities.

2. FUNDING. Reimbursable work for foreign governments is initially financed by Department of the Navy Operation and Maintenance appropriations or by the Navy/Marine Corps Industrial Fund.

3. AUTHORITY FOR NONREIMBURSABLE PORT SERVICES. Pursuant to law (10 U.S.C. 7227) and as authorized by Navy Regulations, Art. 0749 (to be incorporated), routine port services may be provided without reimbursement to naval vessels of allied countries (NATO countries, Australia and New Zealand, and other countries designated by the Secretary of Defense), provided there is an agreement providing for reciprocal provision of port services to U.S. naval vessels without charge. If these routine port services are performed by an industrially funded activity; e.g., shipyard or public works center, the costs are to be charged to military support funds of the command in charge of the industrial activity.

4. FINANCIAL PROCEDURES. Financial procedures concerning friendly foreign governments are contained in pars. 035950 through 035957.

075244 FUEL EXCHANGE AGREEMENTS

1. AUTHORITY. Pursuant to law (10 U.S.C. 7227), and as implemented by Navy Regulations, Art. 0749, fuel may be provided to, or received from a friendly foreign government on a replacement or reimbursable basis under a Fuel Exchange Agreement (FEA). An FEA is an international agreement following different billing and reimbursement guidance from par. 075243. Under FEA's transfers of fuel are normally replaced in kind. However, fuel issues paid for in cash by foreign governments will be charged the standard price in effect at the end of the calendar year, when the status of the accounts of the participating governments is determined, without assessment of administrative or accessorial charges. Statements and billings are required at least annually with settlement in cash, or by replacement of fuel in a reasonable period of time, ordinarily no more than 6 months after the end of the calendar year.

★2. FUNDING. Department of the Navy (DON) receipts of foreign fuel are funded through Operation and Maintenance appropriation reimbursements to the Department of the Navy Stock Fund (DONSF), while foreign receipts of fuel from DON are recorded as accounts receivables in the DONSF.

3. REFERENCES. Additional guidance regarding FEAs is contained in OPNAVINST 4020.26, NAVSUPINST 7300.26, and NAVSUP Manual, Volume 2, Chapter 5, par. 25095. Accounting procedures for FEA's are contained in par. 084317.

075245 LATIN AMERICAN COOPERATION FUNDS

1. AUTHORITY. Pursuant to law (10 U.S. Code 1050), the Secretary of the Navy may provide for expenses of travel, subsistence and special compensation of officers and students of Latin American countries, and other expenses that the Secretary considers necessary for Latin American cooperation.

2. FUNDING. Latin American Cooperation (LATAM COOP) Funds under the Operation and Maintenance, Navy (O&MN) appropriation may be utilized to finance official entertainment, VIP visits, foreign/domestic travel, ship visits, etc. in furtherance of cooperation between the United States and the countries of Latin America.

3. REFERENCE. Additional guidance regarding specific items authorized for expenditure, the request for funds, accounting procedures and documentation is contained in SECNAVINST 7042.13.

Section VIII: PRIVATE PARTIES AND ORGANIZATIONS

075260 PRIVATE PARTIES

1. DEFINITION. "Private parties" is a term that collectively covers many categories of individuals, corporations or companies, and certain state and local municipality entities which receive work, services, and materials from Department of the Navy activities. A general feature of Department of the Navy transactions with private parties is that the recipient must provide funds in advance of the service or materials to be received. Additionally, private parties are assessed full costs for all services provided to them. A condition precedent to providing services or materials to private parties is that the Department of the Navy will not be placed in the position of providing competition to commercial organizations of the private economy which are available to provide private parties the services or materials requested from the Department of the Navy.

2. FINANCING

a. General. Advances from private parties for work or services are credited to the Suspense, Navy account (see par. 035875). As work is performed or material is issued by Navy and Marine Corps activities, the cost of performance including overhead and applicable surcharges is charged to the Suspense, Navy account. Any balances remaining in the SN account after the work or materials have been furnished are refunded to the private party. Certain aeronautical contractors and commercial airlines having continuous need to use Navy or Marine Corps air stations to land their aircraft provide bonds rather than advances of funds. In the latter case, the applicable company is billed after the fact for materials or services received. In the event that a company becomes deliquent or defaults in payment, the Department of the Navy can obtain redress from the bonding company.

b. Exception. The cost for space occupied by private parties in Navy controlled facilities including utilities, maintenance and related support services provided may be waived by an installation commander when benefits contributed to morale and welfare of DOD personnel are considered within mission responsibilities of the activity.

3. FINANCIAL PROCEDURES. Financial procedures concerning private parties are contained in Volume 3, Chapter 5, Part B, Section III.

075261 PRIVATE ORGANIZATIONS

1. GENERAL. Private organizations are generally self-sustaining, non-Federal entities, incorporated or not, and constituted or established and operated on a Department of Defense (DOD) installation, with the written consent of the installation commander or higher authority, by individuals acting exclusively outside the scope of any official capacity as officers, employees, or agents of the Federal Government. Private organizations are not nonappropriated fund instrumentalities nor is there an official relationship between their activities and

those of DOD personnel who are members or participants. They are not held to be an integral part of the military organizations, due to the nature of the functions which they perform and the particular characteristics of these organizations which provide for limited Government supervision, as opposed to the extensive supervision exercised over nonappropriated fund instrumentalities. However, their operation is of interest and concern to the Department of the Navy because of their location on Navy and Marine Corps installations, their relationships with elements of both the Federal and private sectors, the nature of their activities in support of certain recognized programs being conducted for the benefit of members of the DOD family, and their responsibilities as employers of U.S. citizens and other personnel.

2. CLASSIFICATION

a. Types of Private Organizations. Private organizations are classified into three major types as follows:

Type 1, Federally Sanctioned Private Organizations—Type 1 private organizations are those which are recognized in accordance with specific DOD authority or by special authority granted by the Secretary of the Navy. Certain Type 1 private organizations, such as credit unions, United Service Organizations (USO), etc., are governed by specific policies and procedures under authority of law and separate directives.

Type 2, Affiliated Private Organizations—Type 2 private organizations are those which operate on a DOD installation upon the written approval of the installation commander as local affiliations of chapters, lodges (fraternal or benevolent organizations), posts (veterans' organizations), or elements of national or state chartered organizations of the private sector, and engage in activities of special interest to a voluntary membership or group of participants.

Type 3, Independent Private Organizations—Type 3 independent private organizations are those which are organized, established, operated, and controlled locally by common interest groups conducting specific activities that fulfill certain accepted needs or wants of some members of the DOD family and have no formal connection or affiliation with an organization outside of the installation. Local initiative is exercised in securing written permission from the head of a DOD installation for their operation on that installation.

b. Subtype of Private Organizations. Private organizations are classified also into subtypes of relatively homogeneous groups having similar purposes or objectives and characterized by membership or participation of contemporary age levels. The eight authorized subtypes are:

1. financial institutions;
2. community services, fraternal and benevolent;
3. labor organizations and DOD management associations;
4. sports, hobbies, and crafts;
5. distaff/spouse organizations;
6. youth organizations;
7. professional, scientific, and management;
8. religious groups.

A private organization functional subtype is not limited to one primary classification. For example, the Red Cross (Type 1), a Parent Teacher Association (Type 2), and a Thrift Shop (Type 3) all carry out the subtype function classified as community services. The following table provides examples of classification by type and subtype.

EXAMPLES OF PRIVATE ORGANIZATIONS BY TYPE AND SUBTYPE

Type 1 - Federally Sanctioned

Financial Institutions

Banking Offices
Credit Unions

Labor/Management

Labor Organizations
DOD Supervisors and Management Associations

Community Services, Fraternal and Benevolent

Navy Relief
USO
Red Cross
United Seamen's Service

Type 2 - Affiliated

Professional, Scientific, and Management

Engineering or Scientific
NCO Associations
Nurses
Personnel Management
Financial Management

Sports, Hobbies, and Crafts

ABC Bowling Leagues
Sports Officials
Affiliated Hobby or Craft Groups

Religious Groups

Altar Societies
Guilds
Youth Organizations

Community Services, Fraternal and Benevolent

Veterans Organizations
Surviving Spouse or Surviving Parent Organizations
Parent-Teacher Association (PTA)
Ethnic Group Affiliations
Reserve or Retired Associations
Affiliated Community Service Clubs

Youth Organizations

Junior Army Navy Guild Organization (JANGO)
4-H Clubs
Scouting Organizations
Little League

Distaff/Spouse Organizations

(only those affiliated)

Type 3 - Independent

Sports, Hobbies, and Crafts

Model Clubs
Stamp, Coin, Other Collectors
Theater and Dance
Fish and Game
Golf Leagues
Investment Clubs

Youth Organizations

Contemporary Age Clubs (Teens, etc.)
Youth Sports/Recreation

Community Service, Fraternal and Benevolent

Thrift Shops
School Booster Clubs
Local Ethnic Groups
Child Care Centers
Preschool and Kindergarten
Social Problem Study Groups

Distaff/Spouse Organizations

Wives Clubs (may include Thrift Shop Operation)
National Origin Clubs

★3. BUDGET POLICY

a. General. Private organizations are generally self-sustaining, primarily through dues, contributions, service charges, fees, or special assessment of members. However, minimal logistical support is authorized dependent upon the type of private organization and authority under which organized.

b. Exclusions. There will be no direct financial assistance to a private organization from a nonappropriated fund instrumentality in the form of contributions, dividends, or other donations of moneys or other assets except as specifically authorized by the Secretary of the Navy. No support or assistance can be provided to organizations that compete with resources and services commercially available in the public domain (except as provided in subpars. c(1) through c(6)); for expenditures the Congress has not authorized; to confer an explicit or apparent benefit, favor or endorsement upon any entity; or to benefit or favor Navy personnel. Navy installations and activities cannot provide support that should be hired or leased, or provided by a sponsoring organization or locality, such as security, transportation, medical and other logistical support. Finally, the extent of support rendered single-Service affiliated organizations should be the same as support normally offered other organizations and events.

c. Authorized Support for Type 1 Organizations. The amount and type of support, both reimbursable and nonreimbursable, provided to a private organization varies according to the authority under which it is organized and classified. Support provided to credit unions, banking offices, United Seamen's Service, United Service Organizations, and the American Red Cross is governed by separate directives since provisions of law require specific policies and procedures for these Type 1 organizations. In this regard also see subpars. (1) through (6). Other Type 1 private organizations are authorized the use of space and operation and maintenance services incident to occupancy of that space without reimbursement in recognition that their activities are conducted for the benefit of members of the DOD family. Intrastation (Class B) telephone service is authorized for all Type 1 activities subject to reimbursement; however, access to AUTOVON must be specifically approved by the Secretary of Defense. AUTOVON access has been authorized for the Navy Relief Society and others as stipulated below. Also, commercial charges for telephone service for these organizations are reimbursable when arrangements cannot be made for direct billing of these costs to the private organization. Government-owned equipment may be temporarily loaned or rented to an organization physically located on a DOD installation within limits of availability imposed by other mission requirements. However, agreement must be made that costs of repair or restoration upon return of the equipment after temporary use will be borne by the private organization.

(1) Banking Offices. A banking office that is located on a military installation and operated by a banking institution which, under its designation as a depository and financial agent of the U.S. Government, has been specifically authorized by the Treasury Department to provide certain banking services to the installation is a Type 1 private organization. The determination of whether logistic support rendered to a banking office is reimbursable is dependent upon its location, that is, overseas or domestic and, if domestic whether it is self-sustaining. In general, nonself-sustaining domestic banks and banks located overseas are provided support without reimbursement. Specific financial guidance is contained in the current issuance of SECNAVINST 5381.5.

(2) Credit Union. A credit union is a cooperative association organized for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes, and it is classified as a Type 1 private organization. A credit union that provides normal counter transaction service and is staffed with a loan officer, a person authorized to sign checks, and a qualified financial counselor is designated as a full-service credit union. One full-service credit union facility per installation will be furnished space on a no-cost permit. Credit unions assigned space are not required to reimburse for janitorial services, fixtures, maintenance, and utilities such as air conditioning, heating, and lighting. Reimbursement is required for the cost of telephone lines, long distance toll calls, and space alterations. Detailed guidance on credit unions is contained in the current issuance of SECNAVINST 5381.5.

(3) American National Red Cross. The American National Red Cross is entitled to provision of space, maintenance, utilities, and common services on a nonreimbursable basis. The Red Cross is also entitled to official local area telephone service and access to AUTOVON when locally available. However, long distance toll charges and costs for specialized installation and/or equipment will be borne by the American National Red Cross. At those locations where Class B telephone service is not provided, the American National Red Cross should make arrangements with the local telephone company to have charges for toll and other special service billed directly to the American National Red Cross. Office furniture and equipment may be furnished on a loan basis, if available from existing stocks in excess of Navy and Marine Corps local requirements. Additional budget policy guidance pertaining to American National Red Cross personnel assigned to Navy and Marine Corps activities is contained in the current issuance of SECNAVINST 5760.1.

(4) United Service Organizations, Inc. Classified as a Type 1 private organization, the United Service Organizations, Inc. (USO), is an organization through which the people of the United States may serve the religious, spiritual, social, welfare, educational, and entertainment needs of members of the Armed Forces. According to its by-laws, the USO is responsible to the President and to the Secretary of Defense. The primary responsibility of the USO is service to the Armed Forces and their dependents, outside of military reservations, when off duty or on leave. In furtherance of USO objectives, it is general DOD policy to make resources available to recognized USO facilities to the extent practicable. For example, issuance of invitational travel orders and other matters in connection with travel of USO personnel is a responsibility of the Military Departments. Other authorized logistic support without reimbursement includes transportation in overseas areas when the travel will provide direct service to the Armed Forces and is at the invitation of the overseas command, commissary and exchange privileges, Armed Forces postal services, hospitalization and medical care on a space available basis for USO professional personnel and their accompanying dependents (excluding free subsistence), and use of recreational facilities. See OPNAVINST 1710.4B.

(5) United Seamen's Service. The mission of the United Seamen's Service (USS) is to promote and foster the welfare of the seamen and other personnel of United States Merchant Marine. It is classified as a Type 1 private organization. Logistical support to the USS is limited to those instances when the economic condition or isolated location of the area is such that the support is not available from local civilian sources, or the support cannot be imported from other sources, or is available, whether from local civilian sources or by importation, only at prohibitive cost. Supplies and services that can be made available free of charge as determined by the local commander are enumerated in the current issuance of OPNAVINST 4060.1.

(6) Labor and Management Organizations. Labor and management organizations are classified as Type 1 private organizations and may be provided space and facilities upon request, when practicable, for the posting of notices, membership meetings outside of regular working hours, etc. Lists of names, positions, titles, grades, salaries and/or duty stations of activity or unit employees may be furnished to labor organizations without cost if the costs are insignificant for billing purposes, i.e., less than $100. Otherwise, charges will be made in accordance with the provisions of par. 035875.

(a) Operation of Child Care Centers. Child care facilities not operating as MWR activities (see par. 075500) may qualify as Type 3 independent organizations. Type 3 independent organizations may occupy space on a full-time basis by agreement. Charges for rent, utilities, and services may be waived or reduced for a nonprofit activity contributing to the welfare of Navy personnel. Insurance to protect against public liability and property damage claims must be provided by the independent organization. Specific guidance on agreements is contained in DODINST 1000.15.

(b) Construction of Child Care Centers. Child care facilities may also be constructed and operated by a purchase contract for long-term facilities under 10 U.S.C. 2809. This legislation permits a private contractor to build and operate a facility with the Federal government making amortized payments. Additionally, the Tribble Amendment, 40 U.S.C. 490b, allows agencies to provide space, utilities, and services with or without charge for child care services if 50 percent are dependents of Federal employees.

d. Authorized Support for Types 2 and 3 Organizations. The nature of activities conducted by most Types 2 and 3 private organizations normally requires only enough space in which to conduct organizational meetings. Reimbursement is not required for any cost incident to the use of such space on an occasional basis, provided that the use will entail no added real property maintenance expense. In situations when a private organization requires exclusive use of installation real property on a full-time basis, an outgrant document is required; and reimbursement for costs of space occupied, utilities, maintenance, and other support services is required unless waived by the installation commander on the basis of cost considerations of uneconomical billing or benefit of the activity in contributing to the welfare of DOD personnel.

PART C: INVESTMENT FUNDING POLICY

Section I: GENERAL

075300 SCOPE

This Section contains budget and funding policy for investment programs, mainly budgeted in the procurement and military construction appropriations. It also contains budget and funding policy for certain expenses budgeted in other appropriations which are closely related to investment programs, such as equipment installation, training and technical support.

Section II: INVESTMENT FUNDING POLICY

075320 SCOPE

The policy in this Section applies to procurement and construction programs as appropriate, which are financed by procurement and construction accounts included in the annual Department of Defense (DOD) Appropriation and Military Construction Appropriation Acts. Included are definitions, a discussion of the full funding policy, time-phased procurement, advance procurement, multiyear procurement, termination liability advance procurement, incremental construction, and approval for production.

075321 DEFINITIONS

Terms and definitions used for investment procurement actions follow:

Advance EOQ Procurement (Multiyear Procurements)—An exception to the full funding policy that allows the use of expanded advance procurement in conjunction with a multiyear contract to budget and purchase more than one fiscal year's program increment of components, materials, and parts in order to obtain the maximum economic advantages of multiyear procurement.

Advance Procurement (Long Leadtime Items)—An exception to the full funding policy that allows budgeting of long leadtime components, material, parts, and effort in a fiscal year(s) before that in which the related end-item is to be budgeted.

Cancellation—A procedure unique to multiyear contracts that involves the unilateral right of the government to discontinue contract performance for subsequent fiscal years' quantities of items. Cancellation is effective only upon the failure of the government to fund successive fiscal year quantities under a multiyear contract.

Cancellation Ceiling—The maximum amount the government will pay the contractor as a result of a cancellation. This amount shall reflect the incurred costs that the contractor would have recovered as a part of the unit price of subsequent fiscal year canceled items. The amount paid to the contractor upon settlement for unrecovered costs (which can only be equal to or less than the ceiling) is referred to as the cancellation charge.

Economic Order Quantity (EOQ)—When used in connection with multiyear procurement, the procurement of material for future-year production quantities of items that is not required by procurement leadtimes but is desirable for economic reasons. When used in annual contracts, EOQ is the procurement of more than one year's requirement to achieve economic efficiencies at a lower unit price based on production economies.

Effort—As related to advance procurement, the costs associated with the further processing of components, parts, and material or the preparations for such processing.

Full Funding—At the time of contract award, funds are available to cover the total estimated cost to deliver the contract quantity of complete, militarily usable items. If a future-year appropriation is required for delivery of the end-items, the contract is not fully funded. It should be noted that the actual method of financing a contract is a different consideration than the budget policy of fully funding a program. Full funding within the budgetary sense is that the procurement and construction accounts are to fully fund in one fiscal year the total cost of end-items and construction projects to be acquired.

Major Procurement Appropriations—Includes those accounts or portions thereof that finance shipbuilding, aircraft, missile, and weapons procurement within the Department of the Navy (DON).

Multiyear Contract—A contract covering current and future-year procurement quantities of items but not more than 5 years' procurement quantities as reflected in the Five Year Defense Program (FYDP). Each program year is budgeted and funded annually. At the time of award, funds need only to have been appropriated for the first year.

Multiyear Procurement—A generic term describing the process, planning, and contract under which the Government will commit to procurement of the current year procurement quantity of items and future quantities as long as they are contained in the FYDP. It does not apply to advance procurement of long leadtime items.

Nonrecurring Costs—Those production costs generally incurred on a one-time basis including such costs as plant or equipment relocation; plant rearrangement; special tooling and special test equipment; preproduction engineering; initial spoilage and rework; pilot runs; allocable portions of the costs of facilities to be acquired or established for the conduct of the work; costs incurred for the assembly, training, and transportation of a specialized work force to and from the job site; and unrealized labor learning.

Recurring Costs—Production costs that vary with the quantity being produced, such as labor and materials.

Termination—A procedure that may apply to any Government contract, including multiyear contracts. Unlike cancellation, which is commonly affected between fiscal years and must apply to all subsequent fiscal years' quantities of items, termination may be effected at any time during the life of a contract and may apply to the total quantity or to a partial quantity of items.

Termination Liability—The maximum cost the Government would incur if a contract is terminated.

Termination Liability Funding—A budgeting technique that would provide funds on a contract to cover the maximum value of outlays that could be incurred for work accomplished by the end of the budget year plus the maximum cost to the Government associated with termination of the contract at the end of the budget year.

075322 FULL FUNDING

1. GENERAL. It is the preferred policy of the Department of Defense and its Oversight Congressional Committees that the procurement and construction accounts are to fully fund in one fiscal year the total cost of end-items and construction projects to be acquired. The objective is to ensure that the Congress and the public can see the full dimensions and cost of an acquisition program when presented in the budget. Accordingly, each program budget request will encompass all of the costs associated with the acquisition of an approved quantity of distinguishable usable end-items through completion of deliveries or completion of construction. Time-phased procurement, advance procurement, multiyear procurement and incremental construction are approved derivatives of the full funding policy as discussed in the paragraphs which follow.

2. COST ESTIMATES. Full funding applies to an initial estimate. Estimates will change, and full funding of an item can exist only at a point in time. However, the Five Year Defense Program (FYDP) shall be a consistently reliable foundation for stating the cost of acquiring defense systems. Thus, the FYDP will reflect the DON's best estimate of end cost. Program estimates will be kept current and fully financed through the Planning, Programming, and Budgeting System (PPBS) process and reprogramming procedures established within the DON.

3. RELATIONSHIP OF BUDGETING AND CONTRACTING. An end-item is fully funded in a budgetary sense only when funds are programmed and available to cover the total estimated cost of the

item at the time when procurement action is to begin. Contracting, on the other hand, is a part of the execution phase or acquisition process within the framework of a program. The number of contracts required to procure a defense system, the type of contract awarded, and the timing of the award have no bearing upon whether or not an item is fully funded. However, in executing a contract, no procurement of material or equipment, or work or services therefor, shall be directed or implemented unless the full amount required is available, except for authorized advance procurement. For multiyear contracts, the test of full funding does not include the cancellation ceiling associated with items in the FYDP to be procured in fiscal years not yet funded (that is, beyond the budget year). When multiyear contracts are being considered that would exceed the approved FYDP funding in the outyears, notification of this fact, including identification of specifically programmed outyear funding offsets prior to awarding the contract must be provided to NAVCOMPT, who will forward the notification to the Assistant Secretary of Defense (Comptroller) (ASD(C)).

4. PROCEDURES FOR EXCEPTIONS. Exceptions from the provisions of this Section will be authorized on a case-by-case basis. Proposals for exceptions should be included in the annual budget submission for approval by the Secretary of the Navy and submission to the Secretary of the Defense as part of the annual Department of the Navy Budget Submission. All requests for exceptions during budget execution shall be forwarded via the chain of command to the Comptroller of the Navy for review and approval. Such requests shall include all justifications made before the Congressional Appropriations Committees in regard to the program, the status of the program as shown in the Base for Reprogramming Actions (DD Form 1414), and any Reprogramming Action (DD Form 1415). If justified, the request then will be forwarded to the ASD(C) for approval.

075323 TIME-PHASED PROCUREMENT

★1. GENERAL. The following guidance is applicable to procurement programs. There are certain nonrecurring costs of certain production items related but not integral to equipment end-items which are considered part of the overall acquisition program. Examples are preproduction costs, peculiar support equipment, training equipment, ship outfitting costs, initial spare and repair parts, documentation, and systems software and integration costs. Planning and budgeting will be accomplished in a manner to ensure completion of the nonrecurring effort or delivery of these production items consistent with the planned delivery of the associated end-items. That is, the programming and budgeting will be on a time-phased "leadtime away" or "need to commit" basis. However, funds may not be budgeted for support, trainers, or data for obligation before the design or specifications of such items are essentially complete. These items will be programmed on an "ability to contract" basis as well as on a "leadtime away" basis. In general, all integrated logistic support costs and systems software/integration costs necessary to support the initial quantity of end-items will be budgeted in the initial procurement year. Circumstances may warrant a budget request for nonrecurring costs and production items related to the end-item earlier than leadtime considerations dictate, e.g., procurement of spare parts along with production end-items to ensure configuration control. In the case of engineering changes occurring during the production process, all associated nonrecurring costs will be funded by the first benefiting fiscal year appropriation; i.e., the appropriation that financed the first end-items affected by the change during production. Exceptions will be on a case-by-case basis and recognized during the Program Management Proposal (PMP) process. Recurring costs will be funded by the fiscal year appropriation that financed the affected end-items.

2. PRODUCTION SUPPORT SERVICES. Certain production support services (described in par. 075342) should be budgeted on an annualized basis instead of a fully funded basis to minimize unobligated balances in the procurement appropriations. The following guidance is provided:

1. Acceptance Test and Evaluation which is necessary to allow Government acceptance of an item from a contractor, i.e., to satisfy acceptance requirements specified in the contract, should be fully funded in the fiscal year program that the item is budgeted.
2. Acceptance Test and Evaluation which is not necessary to allow Government

acceptance of an item from a contractor, but is performed for the Government's own assurance that the item fulfills the contract specifications should be budgeted on an annual basis.

3. Other production support services necessary to produce the item which are performed by the manufacturer should be fully funded in the fiscal year program that the item is budgeted.
4. Other production support services performed by either government support activities or support contractors should be budgeted on an annual basis.
5. Budgeting of production support services on an annual basis, as described in items 2 and 4, assumes a multifiscal year procurement program. If the procurement is a onetime buy in a single fiscal year budget line item, all production support services should be fully funded in that fiscal year. Similarly, the last fiscal year containing end-items of a multifiscal year procurement program should include all production support services necessary to complete the program. The intent is to avoid a request for production support funding in a fiscal year in which no end-items are budgeted.
6. Shipbuilding and Conversion, Navy programs should be fully funded to include all costs necessary to construct/convert/acquire a ship, subject to time-phased procurement and advance procurement guidance.

3. BUDGETING FOR SPARES AND REPAIR PARTS. Funding will be requested for a 12-month delivery period leadtime away from need. Spares and repair parts funding will be fully committed in the first year of availability. Funding will be budgeted based on 100 percent of commitments in the first year of availability. Spare parts will not be funded in a fiscal year prior to the end-item which they support. A waiver of this policy may be granted by ASD(C) if an economic analysis indicates that other procedures would be cost effective.

075324 ADVANCE PROCUREMENT OF LONG LEADTIME ITEMS

1. GENERAL. The following guidance pertains to procurement programs. Under specific limited conditions, long leadtime items may be budgeted in advance of the fiscal year in which the end-item is budgeted. Long leadtime procurements shall be for components, parts, material or effort of the same end-item that must be funded in an advance procurement timeframe in order to maintain a planned production schedule. Advance procurement requests for long leadtime items shall be limited to the major procurement appropriations and shall be for those elements of the end-item whose leadtimes are significantly longer than other elements of the same end-item. The cost of elements categorized as long leadtime should be a relatively low percentage of the cost of the end-item. Also, proposals for advance procurement funding should take full consideration of the applicability of the items to other programs or as spares in the event that the prospective program fails to materialize. All advance procurement requests must be specifically identified in the budget and apportionment submissions.

2. BUDGETING. Advance procurement will be budgeted only one year in advance of the end-item funding year. This applies to major weapons systems unable to deliver within 24 months of authorization, or to protect reorder leadtime. Nonrecurring costs may be budgeted as advance procurement only in the first advance procurement year. Exceptions to allow more than 1 year of advance procurement will be approved on a case-by-case basis in the budget review process. Typical exceptions to this policy are advance economic order quantity (EOQ) procurements associated with multiyear contracts (discussed below) and exceptionally long leadtime materials, such as nuclear cores, associated with the shipbuilding program. The preferred funding method is to budget the full cost of advance procurement items which would have utility if the subsequent end-item was not procured. At a minimum, termination liability will be funded for the items for which the advance procurement request is being made. However, the full cost of these items should be budgeted when it is economically more efficient.

075325 MULTIYEAR PROCUREMENT

1. GENERAL. The following guidance pertains to procurement programs. Multiyear procurement (MYP) is a contractual commitment for support of outyear end-items. Planning should be conducted sufficiently early in the acquisition strategy formulation process to permit inclusion of monetary requirements and the multiyear concept adopted (including any necessary request for cancellation ceiling authority) in the appropriate Program Objectives Memorandum (POM) and budget documents. Development of the strategy involving multiyear concepts shall be the responsibility of program, system, support or commodity managers

in close cooperation with contracting and financial management specialists.

2. CLASSICAL MULTIYEAR PROCUREMENT. A contract may cover more than 1 year of requirements; however, funds are budgeted and the contract is financed in annual increments which fully fund only the annual quantity requirements. The contractor is protected against the loss resulting from cancellation of subsequent contract increments to allow reimbursement of unrecovered nonrecurring costs through a cancellation charge.

3. ADVANCE ECONOMIC ORDER QUANTITY (EOQ) PROCUREMENT

a. General. Items which are part of end-items being acquired under multiyear contracts may be produced in quantities exceeding the current fiscal year contract requirements when it is more economical to do so, i.e., EOQ procurement. It is the general policy of the DOD not to create unfunded contract liabilities for EOQ procurements (recurring costs) associated with multiyear contracts. Rather, funding for EOQ procurements shall be included in advance procurement budget requests unless the DON has obtained an exception to the general policy from the ASD(C). This advance procurement technique may be used in all multiyear contracts, including those funded by the Other Procurement, Navy and Procurement, Marine Corps appropriations. EOQ procurements may not be used as an advance procurement exception to the full funding policy outside of multiyear contracts. This does not affect procurement of items which are being acquired as end-items themselves, such as spare parts, when EOQ is a consideration in the requirements calculation.

b. Budgeting. Advance procurement budget requests for EOQ procurements may satisfy requirements for no more than 5 program years. Each budget request shall cover the estimated termination liability of the EOQ procurement, unless it would be more effective to fully fund the EOQ or an exception has been granted by ASD(C) to include EOQ costs in an unfunded cancellation ceiling.

4. CANCELLATION CEILINGS. Under 10 U.S.C. 2306, the DOD is authorized to enter into multiyear contracts containing cancellation charges, which may include both nonrecurring and recurring costs. This law requires notification of the House and Senate Armed Services and Appropriations Committees at least 30 days before award of a multiyear contract that employs a clause setting forth a cancellation ceiling exceeding $100 million. Contract cancellation ceilings may be created up to this congressional limitation for nonrecurring costs. Inclusion of recurring costs in an unfunded cancellation clause may be requested as part of the multiyear budget request. Such requests shall be reviewed on a case-by-case basis and approved only when specific advantage to the government can be demonstrated. These procedures are subject to any limitations or conditions set forth in the annual Department of Defense Authorization or Appropriation Act.

5. CRITERIA. The criteria for multiyear procurement are to be considered in a comparative benefit/risk analysis format where the first criterion (item 1) represents the benefit factor and the remaining criteria (items 2 through 6) represent risk factors:

1. Benefit to the Government—A multiyear procurement should yield substantial cost avoidance or other benefits when compared to conventional annual contracting methods. MYP structures with greater risk to the Government should demonstrate increased cost avoidance or other benefits over those with lower risk. Savings can be defined as significant either in terms of dollars or percentage of total cost.
2. Stability of Requirement—The minimum need (e.g., inventory or acquisition objective) for the production item or service is expected to remain unchanged or vary only slightly during the contemplated contract period in terms of production rate, fiscal year phasing, and total quantities.
3. Stability of Funding—There should be a reasonable expectation that the program is likely to be funded at the required level throughout the contract period.
4. Stable Configuration—The item should be technically mature, have completed Research, Development, Test and Evaluation (RDT&E) (including development testing or the equivalent) with relatively few changes in item design anticipated and

underlying technology should be stable. This does not mean that changes will not occur but that the estimated cost of such changes is not anticipated to drive total costs beyond the proposed funding profile.

5. Degree of Cost Confidence—There should be a reasonable assurance that cost estimates for both contract costs and anticipated cost avoidance are realistic. Estimates should be based on prior cost history for the same or similar items or proven cost estimating techniques.
6. Degree of Confidence in Contractor Capability—There should be confidence that the potential contractor(s) can perform adequately, both in terms of Government-furnished items (material, data, etc.) and their firm's capabilities. Potential contractors need not necessarily have previously produced the item.

075326 TERMINATION LIABILITY ADVANCE PROCUREMENT

The guidance which follows is applicable to procurement programs. To the extent that the end-item authorization is reduced or deleted, the following will pertain with respect to termination liability funded advance procurement contracts:

1. for terminated programs, on a case-by-case basis an evaluation must be made to determine if the advance procurement contract should be terminated, continued or modified to deliver some usable product short of a major end-item. Recommendations for application of funds related to such terminated programs should be forwarded to the Comptroller of the Navy before contractual action is taken;
2. for reduced programs, the advance procurement contract, to the extent that it is for a quantity within the approved FYDP, will remain in effect as written with the product of the effort distributed to succeeding end-item programs until amortized. When programs are reduced to the extent that the advance procurement contract supports a quantity which exceeds the approved FYDP, the guidance in item 1 applies for that effort applicable to the excess quantities, e.g., partial termination, contract modification, etc.

Obligations and expenditures of a termination liability advance procurement contract may not be decreased below costs incurred once recorded. In those instances where administrative procedure provides for an advance procurement contract to be redefined into the end-item contract awarded in the subsequent fiscal year, no decrease below costs incurred will be made to the total obligation recorded in the advance procurement fiscal year at the point of definition into the end-item contract or later in the acquisition process. In those instances where the end-item quantity is adjusted from that anticipated and contracted in the advance procurement instrument, the advance procurement instrument will remain the document of record without decrease other than termination in whole or part.

075327 INCREMENTAL CONSTRUCTION

The following guidance is applicable to construction programs. Congress has approved a limited application of incremental funding for major facilities when savings can occur through early contract award and program execution can be facilitated. A major facility is defined as any single facility costing more than $100 million. In order to provide Congress with a complete picture of the cost, scope, and nature of major facilities, full authorization for the total project cost in the first fiscal year must be requested. Appropriations should be requested over a 2 or 3 year period in logical increments that provide for completion of usable segments of the total facility.

075328 APPROVAL FOR PRODUCTION

Department of the Navy (DON) system acquisition policy requires that the appropriate decision authority grant production approval before a system enters production. Accordingly, it is the policy of the DON to budget initial production funding for weapons systems and other equipment if approval for limited or full production can be reasonably expected to be provided in time to allow full program execution during the fiscal year for which funds are requested. Additional explanatory guidance is contained in the Budget Submissions Manual.

Section III: SYSTEMS COSTS

075340 SCOPE

Standard terminology for Department of Defense systems acquisition is required for uniform presentation of requirements in the budgeting and reporting processes. This Section outlines the costs to be included in procurement appropriation budget line items.

★075341 COST DEFINITIONS

1. GENERAL. The basic method for presenting procurement requirements is the Procurement Programs Line Item (Exhibit P-1) prepared for the Congress as supporting justification to budget estimates. The line item should include all procurement costs required to acquire and initially deploy a system except for its complement of initial spares, which is budgeted as part of a separate line item covering all initial spares for all systems. Within the individual line item, those costs which are related to the production of a usable end-item of military hardware are commonly referred to as "Flyaway Costs." This term has evolved in connection with aircraft and missile programs although it equates to "Rollaway" in the case of vehicles or "Sailaway" in the case of ships. It includes the cost of the basic unit to be fabricated (airframe, hull, chassis, etc.), the propulsion/engine equipment, electronics, armament (excluding ammunition), avionics, installed Government-furnished equipment, other level three work breakdown structure hardware/software subsystem elements, production testing, and any project management costs appropriately budgeted in Procurement appropriations. Production costs associated with the end-item include both contract and in-house costs of all nonrecurring engineering (preproduction, advance production, start-up, etc.), recurring engineering, engineering support to production, tooling, manufacturing, purchased equipment, quality control, allowance for engineering changes, warranties, first destination transportation integral to contract price, general and administrative charges and profit are also included in "Flyaway Costs." First article testing for conformance with contract requirements before or in the initial stage of production (including preproduction models, initial production samples, test samples, first lots, pilot models, and pilot lots) is also considered an element of "Flyaway Costs." The balance of the individual line item is referred to as "Support Costs" and contains those peculiar procurement costs required to deploy a system, such as ground support equipment, training equipment, publications, technical data, contractor technical services, etc. The sum of these two segments within the line item is referred to as "Weapons System Cost." Expense costs required to make Government-owned equipment available to support new acquisition programs will be budgeted in the Operation and Maintenance appropiations. An example of these costs is the refurbishment of shipping containers and test equipment. This does not apply to intrinsic expense costs required to make Government-owned equipment available for the manufacture of the item being procured, such as equipment necessary for the manufacturing process, equipment to be incorporated into the item being manufactured (including initial outfitting), and equipment necessary for production acceptance testing. These are considered to be investment costs properly budgeted in the procurement appropriations.

2. STANDARD DEFINITIONS. Standard definitions have been developed for initial, replenishment, and war reserve spare parts to ensure consistency in systems spare parts pricing for budgeting and Selected Acquisition Reports (SARS). The following applies:

a. Initial Spare Parts. Initial spare parts will include those repairable components, assemblies, or subassemblies required as initial stockage at all levels including the pipeline in support of newly fielded end items. Whole spare engines are covered by separate guidance and will be classified as initial spare parts through the life of the system.

b. Replenishment Spare Parts. Replenishment spare parts will include those repairable components, assemblies, or subassemblies required to resupply initial stockage or increase stockage for reason other than support of newly fielded end items. Replenishment would include additional stockage due to increases in usage, readiness initiatives, and redeployment of end items.

c. War Reserve Spare Parts. War reserve spare parts will be budgeted as replenishment.

075342 PRODUCTION SUPPORT SERVICES

1. GENERAL. Standard terminology and a cost breakdown structure have been developed to categorize and display production support service costs in the Procurement appropriation budget backup exhibits. It is not necessary to utilize each element of the standard cost breakdown structure in every P-1 line item. Rather, the standard cost elements should be utilized in the budget backup exhibits as necessary when production support services are separately identified in a P-1 line item. Production support services are not required to be separately identified, but when they are, the standard cost elements should be utilized in lieu of other terminology.

2. STANDARD COST BREAKDOWN. The standard cost breakdown structure consists of. Production Engineering, Quality Assurance, Product Improvement, Acceptance Test and Evaluation, Contractor Engineering and Technical Services (CETS). These cost elements may be utilized under both the "Flyaway Cost" and "Support Cost" section in the budget exhibits when these major cost areas are segregated (usually for major weapon systems). However, CETS can only be utilized in the "Support Cost" section.

3. STANDARD TERMINOLOGY. The standard terminology follows:

Production Engineering—The application of design and analysis techniques to produce a specified item. Includes functions such as: analysis of producibility and production operations, processes and systems; applying new manufacturing methods, tooling and equipment; preparation, test and technical evaluation of engineering changes to correct deficiencies in the production item; preparation, test and technical evaluation of waivers and deviations; value engineering; review and evaluation of production design data and documentation; production configuration control; maintenance engineering and logistics supportability efforts designed and incorporated into the production manufacturing process; and other related engineering functions which are integral to the item's manufacture. Production engineering encompasses both nonrecurring or startup effort to establish a production capability and recurring effort.

Quality Assurance—The preparation of procedures and the conduct of inspections, examinations and tests during production that are necessary to deliver an item of the required quality as specified by the terms of the contract.

Product Improvement—Engineering services and related effort by the producing contractor or manufacturing installation, applied to an item in production to extend the useful military life of such item or to improve the item within the current performance envelope. Typically, such improvements take advantage of such things as newly developed materials, progress in state-of-the-art, improved design and other technical advances which, when incorporated in production, provide improved safety, reduced environmental impact, improved reliability/maintainability/availability, decreased cost, or correction of deficiencies exclusive of contractual specifications.

Acceptance Test and Evaluation—Test and evaluation of a production item, including components, to demonstrate that the item fulfills the requirements and specifications of the procurement contract or agreement. The costs to conduct the tests, such as range charges and expendable/consumable items, as well as preparation of the test plan, data analysis and evaluation are included.

Contractor Engineering and Technical Services (CETS)—Contractor engineering and technical services consist of the furnishing of advice, instruction, and training to Department of Defense personnel, by commercial or industrial companies, in the installation, operation, and maintenance of Department of Defense weapons, equipment, and systems. See par. 075366 for limitations on funding CETS with Procurement appropriations. In this regard, all factory training in support of an item in production must be budgeted in the O&M rather than the Procurement appropriations per congressional direction.

4. EXCLUSIONS. Certain production program support costs must be funded as expense in the Operation and Maintenance appropriations. See par. 075001 for guidance concerning procurement/production program costs, and par. 075365 for guidance concerning factory training costs.

Section IV: EQUIPMENT PROCUREMENT AND SUPPORT

075360 REAL PROPERTY FACILITY EQUIPMENT

1. SCOPE. This paragraph applies to installation of equipment in all Department of the Navy real property facilities except for research and development facilities, equipment incident to military construction projects, and industrial-commercial activities.

2. DEFINITIONS

a. Equipment. The term "equipment" as used herein applies to equipment defined as personal property in the current issuance of OPNAVINST 11010.20, Facilities Projects Manual, par. 6103, with the exception of training devices and training equipments. Information relating to training delineations is contained in par. 075365. The term "equipment" also applies to ancillary equipment which is integral to the operation of the personal property to be installed.

b. Equipment Installation. The term "equipment installation" costs as used herein includes items described in the Facilities Projects Manual as "construction" in par. 3112 and "nonconstruction" in par. 6105.

3. BUDGET POLICY

a. Appropriation Purchases Account Cognizance Symbol Manager. A systems command which is the Appropriation Purchases Account (APA) cognizance symbol manager, or other organization responsible for funding servicewide procurement of specific items, funds equipment installation costs. When equipment installation is complete and reported in the plant property inventory, the station assumes responsibility for the operation and maintenance support, such as power, repair parts, etc., for the equipment. Specific examples of this responsibility include:

1. when the equipment is procured for installation at a specific activity (i.e., at the time of budget formulation the equipment is programmed for installation at a specific location and is so justified, even though practical consideration may later change priorities and require installation at a different activity when the equipment actually becomes available);
2. when the requesting organization has provided the requirement for procurement/installation to the appropriate APA cognizance symbol item manager or other authority responsible for funding servicewide procurement in adequate time for budgeting (i.e., prior to 1 Sept., 13 months prior to execution of the budget, in order that the full requirement may be included in the budget formulation process);
3. when technical direction/system direction exercised by a systems command or other authority responsible for funding servicewide procurement or sponsoring development requires that equipment be installed as a result of technical field inspections, revised standards, or central systems development/configuration requirements;
4. when system development responsibility is exercised by a systems command or other authority responsible for servicewide development and the responsibility requires that leased equipment be installed as a result of the system design or development, notwithstanding that the central manager or the user is responsible for funding subsequent lease costs.

b. Installation of Items Funded From Budget Activity 7, Other Procurement, Navy Appropriation. Equipment installation costs for items budgeted in the appropriation Other Procurement, Navy, Budget Activity 7, is assigned to the organization budgeting for the item of equipment.

c. Installation of Items Requisitioned From Inventory. Budgeting for equipment installation costs is the responsibility of the major claimant for items requisitioned from inventory by their local activity; i.e., procured by technical systems commands (APA cognizance symbol managers) or other authority responsible for funding servicewide procurement to meet inventory objectives and not programmed for installation at specific activities.

d. Reinstallation or Relocation. Costs of reinstallation or relocation of present equipment, which is not associated with a military construction project, are expenses to be borne by the operating funds of the activity involved.

e. Application of Expense/Investment Criteria. The systems command or the operating organization budgets for investment costs in procurement appropriations and expense costs in operations appropriations. Accordingly, the cost of equipment procurement, including ancillary equipment, will be funded by procurement or operations appropriations according to the criteria contained in par. 075001. The cost of equipment installation will be funded by operations appropriations, except in the case of an investment equipment "turnkey" installation, in which case both the cost of equipment and installation will be funded as an investment by procurement appropriations. See par. 075001 for turnkey acquisition guidance.

f. Unanticipated Installation. In those cases where unanticipated and unbudgeted equipment installations are directed by higher authority, and such actions result in deficiencies, the responsible organization should address the requirements in apportionment submissions and midyear reviews.

★g. Intrusion Detection Systems. Intrusion Detection Systems (IDS) are personal property and are funded in Budget Activity 7 of the Other Procurement, Navy (OPN) appropriation or, as applicable, in the Asset Capitalization program of the Navy Industrial Fund. Installation is funded as follows:

1. installation of IDS in existing real property facilities will be funded by an operations appropriation (see subpar. b above) except in the case of a "turnkey installation," where the cost of both equipment and installation will be funded as an investment cost in OPN (see par. 075001);
2. installation of IDS equipment in a real property facility under construction is funded by the appropriate military construction account. This includes those parts of IDS which do not meet the definition of personal property (see par. 2) and which are engineered and built into the facility as an integral part of the final design and are, therefore, construction costs (see par. 075382).

4. SOURCE DOCUMENTS. Additional information relating to equipment installation in real property facilities is contained in pars. 074623 and 075361, and in the current issuance of SECNAVINST 7040.6 and OPNAVINST 11010.20.

075361 PERSONAL PROPERTY EQUIPMENT

1. SCOPE. Equipment as described in this paragraph is that equipment which is not installed or built-in as a part of the construction line item (see par.075382), but is required to initially outfit facilities constructed under the appropriation MCN and MCNR.

2. DEFINITIONS

a. Personal Property. Personal property, sometimes called "plant equipment," or "equipment in place," is defined as accessory equipment and furnishings that are movable in nature and not affixed as an integral part of the facility. This equipment includes all types of production, processing, technical, training, servicing, and research, development, test, and evaluation (RDT&E) equipment, such as heat-treating ovens, machine tools, landing aids, photographic laboratory equipment, meteorological equipment, training devices, communications equipment, intercommunication equipment, and automatic data processing and other electronic equipment. The costs associated with procurement, including moving, packing, unpacking, assembly, attachment, and testing of personal property are not construction. These costs are investment or expense costs according to the regulations governing the use of appropriations for RDT&E, procurement, operation and maintenance, or those regulations governing the use of industrial funds.

b. Collateral Equipment Initial Outfitting. Collateral equipment initial outfitting is the first provision of equipment and furnishings in answer to a requirement generated by new construction or expansion of a facility resulting from a change in function or operation, or an improvement in the physical condition of the facility, and which is implemented by the Naval Facilities Engineering Command (NAVFAC) in conjunction with a Military Construction, Navy (MCN) or Military Construction, Naval Reserve (MCNR) line item.

3. ASSIGNMENT RESPONSIBILITY

a. General. The Chief of Naval Operations has assigned responsibility to NAVFAC for the formulation of Department of the Navy military construction programs (see current issuance of OPNAVINST 11010.1). This assignment provides the basis for the further assignment of responsibility to NAVFAC to provide certain collateral equipment for Navy facilities and to coordinate all collateral equipment initial outfitting requirements to assure that the user will receive a complete, usable, and fully outfitted facility. The responsibility for such collateral equipment items as described in subpar. 2 which are required to initially oufit MCN/MCNR line items is assigned as follows:

Collateral equipment type	Budgeting/Funding responsibility
1. Support equipment for which a central authority has been specifically assigned the responsibility for computing and budgeting servicewide requirements, while retaining authority to withdraw, redistribute, or replace items without regard to unit cost.	Office or command assigned central management program responsibility.
2. Equipment items listed in the Supply System as Appropriation Purchases Account cognizance items or "family related" thereto.	Office or command assigned as technical sponsor by the Naval Supply Systems Command Manual, par. 21147.
3. Specialized equipment items technically unique and required to accomplish a RDT&EN program or project.	RDT&EN project manager.
4. Training equipment and devices.	Training agency or training support agency as prescribed in par. 075365.
5. Equipment items properly chargeable to nonappropriated funds.	Nonappropriated fund custodian.
6. Equipment items not subject to the criteria in items 1 through 5 for Marine Corps facilities.	Headquarters, Marine Corps.
7. All collateral equipment, not subject to the criteria in items 1 through 6, for the following activities only: Naval air rework facilities; Naval Avionics Facility; Naval Shipyards; Naval ammunition depots; Naval ordnance, torpedo, and weapons stations.	Cognizant command for all expense/investment items.
8. Nontechnical equipment items not subject to the criteria in items 1 through 7.	NAVFAC for both expense/investment items.

b. Personnel Support Equipment. Requirements for items designated as being personnel support equipment (PSE) for MCN/MCNR line items are funded by NAVFAC for facilities located at naval activities and by the Marine Corps for facilities located at Marine Corps activities. Replacement and augmentation for PSE items are the budgeting responsibility of the user command. PSE includes recreation equipment for Category III military General Welfare and Recreation (MWR) activities except for equipment items procured exclusively with nonappropriated funds such as musical instruments, stereo sets, photography equipment. PSE does not include MWR consumables, such as: modeling clay, ceramic materials, paints, etc.; nor does it include bedding consumables or messware, such as: bedsheets, pillowcases, blankets, linens, cutlery, tableware, pots, pans, etc. Procurement of such items must be funded by the activity from recreation funds, mess funds, or mission management funds, as appropriate.

4. COLLATERAL EQUIPMENT RELOCATION. The budget and funding responsibility for the relocation of collateral equipment resides with the major claimant or management command who directs the relocation. In most cases, this is the command that has custody of the equipment or ownership per the plant account records. The cost of relocation includes the moving, packing, unpacking, assembly, attachment, and testing of collateral equipment being relocated from an existing site or structure to a new site or structure being constructed under the Military Construction appropriations.

5. SOURCE DOCUMENTS. Further detail related to collateral equipment is contained in Volume 3, Chapter 6; and in the current issuance of OPNAVINST 11010.20.

075362 OPERATING FORCES SUPPORT EQUIPMENT

1. SCOPE. This paragraph prescribes the investment items to be budgeted by the Fleet Commanders in Chief and the Commander in Chief U.S. Naval Forces, Europe in the Operating Forces Support Equipment line item in Budget Activity 7 (Personnel and Command Support Equipment) of the Other Procurement, Navy (OPN) appropriation. This line item provides for the procurement of noncentrally managed equipment in support of the operating forces.

2. BUDGET POLICY

a. Operating Forces Support Equipment. The following is a representative list of items that are included within the line item for Operating Forces Support Equipment:

1. office machines such as calculators, typewriters, accounting machines, magnetic tape machines, addressograph machines and microfiche equipment. While office copy machines can also be funded in this program, most office copiers for shore facilities must be budgeted by the Navy Printing and Publication Service in OPN Budget Activity 6 (Supply Support Equipment) in accordance with the current issuance of OPNAVINST 5600.20;
2. laundry equipment such as steam presses, sleevers, flatwork irons and dry cleaning plants (shipboard only);
3. station, ship/boat support items such as camels, pontoon camels, brows, floats, welding machines, air conditioners, transformers, fire suppression equipment and gangways.

b. Exclusions. The following is a representative list of items that cannot be budgeted within the Operating Forces Support Equipment line item:

1. major end-items of equipment centrally managed by a weapon or other system manager are budgeted for and provided by the systems command/project managers. This includes Appropriation Purchases Account (APA) items identified in the Management List-Navy by even numbered cognizance symbols which are issued free of charge to the user. Requirements should be addressed to the appropriate systems command/project manager;

★2. stock funded items (Department of the Navy Stock Fund Account) identified in the Management List-Navy by odd numbered cognizance symbols. These items are funded by the user from appropriations available for expenses as prescribed in the Afloat Supply Procedures (NAVSUP P-485);

3. Industrial Plant Equipment (IPE) such as lathes, drill presses, power saws and other Plant Property Class 4 items. Also, nonadministrative Plant Property Class 3 items utilized in routine shipboard maintenance and industrial shops are considered to be IPE. All IPE requirements for the operating forces are budgeted by the Commander, Naval Sea Systems Command (NAVSEA) in the Operating Forces IPE line item in OPN Budget Activity 1 (Ships Support Equipment). The current issuance of NAVSEAINST 4870.6 provides guidance;
4. shipboard medical and dental equipment such as X-ray equipment, surgical units, sterilizers and operating tables. All shipboard operating forces medical and dental equipment is budgeted by the Commander, Naval Medical Command (NAVMED) in the Medical Support Equipment line item in OPN Budget Activity 7;
5. General Purpose Automated Data Processing Equipment (ADPE) requirements should be identified and planned for by the claimant. Claimants should submit ADPE investment requirements to the Chief of Naval Operations (OP-90) during the Program Objectives Memorandum (POM) cycle. General purpose ADPE is budgeted in the Computer Acquisition Program (CAP) line item. On behalf of the CNO, the Commander, Naval Data Automation Command (NAVDAC) administers the Computer Acquisition Program under OPN Budget Activity 7;

★6. oil pollution abatement items such as oil containment booms, utility boats, vacuum trucks and automatic alarms and controls are managed and budgeted by the systems commands. Forces having a need for such items should comply with the current issuance of OPNAVINST 6240.3;

★7. shipboard recreational closed circuit TV systems and associated equipment are managed by the Chief of Information (OP-007) and are budgeted by the Commander, Space and Naval Warfare Systems Command (S&NW) in the Armed Forces Radio and TV line item in OPN Budget Activity 2 (Communications and Electronics Equipment). Requirements should be submitted to CNO (OP-007) who will include the requirement in the proper POM or budget submission;

8. Productivity Enhancing Incentive Funds (PEIF) provide nonindustrial fund activities with equipment which is not currently budgeted. Funds are available in the PEIF line item in OPN Budget Activity 7. Candidates for the PEIF program will be accepted on a continuous basis. All Navy claimants able to identify unfunded fast payback opportunities meeting the criteria prescribed in the current issuance of NAVCOMPTINST 7000.38 should submit proposals to the CNO (OP-04J);

★9. equipment and material for Title "K" ship alterations are the responsibility of the systems commands/project managers in accordance with the current issuance of OPNAVINST 4720.2.

075363 MAJOR SPARE EQUIPMENT OR COMPONENT

1. SCOPE. This paragraph provides requirements guidance and budget policy for procurement of major spare equipment or system components required for expeditious replacement in the event of major damage from battle, fire, collision, explosion, storm, etc. These major equipment and components are principal items as opposed to secondary item spares and repair parts generated by the equipment provisioning process.

2. REQUIREMENTS. Generally, spare equipment or system components will be acquired only if the equipment provisioning process will not

provide all secondary items necessary to assemble a complete equipment or system component, and the nonavailability of the spare for replacement will seriously degrade the capability of a combatant unit to prosecute the missions for which designed. As a general rule, one spare will be acquired when 50 or less equipment installations are planned and two spares will be acquired when more than 50 installations are planned. However, actual spare quantities of a specific equipment or system component will be approved by the Chief of Naval Operations and the Commandant of the Marine Corps, as applicable.

3. BUDGET POLICY. Spare equipment or system components will be budgeted in the same procurement appropriation in which the equipment or system is normally budgeted. However, the Shipbuilding and Conversion, Navy (SCN) appropriation will only budget spare equipment or components for those equipments and systems included in a shipbuilding program for the first time. Replacement spares and spares for equipment included in a previous shipbuilding program will not be budgeted in the SCN appropriation.

075364 INITIAL OUTFITTING

1. SCOPE. This paragraph establishes funding policy for the initial outfitting of investment end-items such as ships, aircraft, vehicles, or other weapons and equipment. However, this guidance is not applicable to Research, Development, Test and Evaluation activities or end-items.

2. POLICY

a. General. Initial outfitting is the complement of support items required to make a newly deployed end-item complete and ready to operate. The funding policy for initial outfitting of ships, aircraft and equipment is governed by definitions of expenses and investments as delineated in par. 075001. Initial outfitting costs qualify as investments by definition and are chargeable to Procurement appropriations. Other outfitting costs that qualify as expenses are chargeable to Operation and Maintenance appropriations.

b. Fleet Modernization Program. Congress directed that the Fleet Modernization Program (FMP) be reclassified from investment to expense with a corresponding transfer to the Operation and Maintenance appropriations. As a result, the funding policies applicable to the FMP Consolidated Shipboard Allowance List (COSAL) program are unique. The predominant causes for COSAL changes are changes in shipboard equipment mixes and equipment modifications resulting from the FMP. To preclude the difficult task of identifying and isolating changes caused for other reasons, it is both practical and cost effective to assign the total responsibility for funding the cost of expense material resulting from COSAL changes to the FMP COSAL program.

3. FUNDING GUIDANCE

a. Investment End-Items. Initial outfitting requirements of investment items necessary to support end-items such as ships, aircraft, weapon systems, and equipment will be financed by the same Procurement appropriation as the end-item to be supported and are the budget responsibility of the command which is budgeting for the acquisition of the end-item. This guidance applies to both support items which are peculiar to the end-item and to common-use items which are capable of supporting several different end-items. Replenishment requirements are the funding responsibility of the command having technical cognizance of the support item in the applicable Procurement appropriation. Initial outfitting of intrinsic-expense items that are chargeable to investment appropriations because they support aircraft production/modification, ship construction/conversion, weapons production/modification, equipment production/modification, etc., is limited by the definition of what constitutes the specific investment end-item and investment support programs. Investment end-items are generally defined as follows:

(1) Ships. Under the sailaway concept, the investment end-item is the complete operational new construction/conversion ship. This includes the cost of approved allowances of on-board bin loads of intrinsically expense material (although funded

from a separate line item of the investment appropriation). It includes all intrinsically expense items that have been consumed in the construction/conversion of the ship. It excludes all other supply system expense material.

(2) Aircraft. Under the flyaway concept, the investment end-item is the complete new procurement or modified aircraft including the cost of approved allowances of intrinsically expense items carried on-board. It includes all intrinsically expense items that have been consumed in the production/modification of aircraft. It excludes all other supply system expense material.

(3) Vehicles. Under the rollaway concept, the investment end-item is the complete new procurement or modified vehicle including the cost of approved allowances of intrinsically expense items carried on-board and issued with the vehicle to render it initially operable. It includes all intrinsically expense items that have been consumed in the production/modification of vehicles. It excludes all other supply system expense material.

(4) Other Weapons/Equipment. The investment end-item is the complete new procurement weapon/equipment including:

1. all intrinsically expense items that have been consumed in the production of the weapon/equipment;
2. the cost of intrinsically expense items that must be issued with the weapon/equipment to render it initially operable, e.g., special tools and test equipment, protective gear, other equipage, manuals, software, spare and repair parts, etc. Items "issued with" means those items issued with the weapon/equipment when it is sent to a ship, an aircraft, a unit, a training activity, or issued for any other end-use purpose;
3. for turnkey installations at shore activities for weapons and/or equipment, it includes all the cost (except construction) of installing the weapons and/or equipment including all of the intrinsically expense items consumed in the process of installation.

b. Operating End-Items. Expense items required as a result of allowance list changes for operating end-items, i.e., ships, aircraft, vehicles, and other investment equipment, are funded by the Operation and Maintenance appropriations and the Department of the Navy Stock Fund for the Aviation Consolidated Allowance List (AVCAL). This excludes "carry on-board" and "issued with" allowance list changes for specific end-items, i.e., ships, aircraft, vehicles, equipment, etc., that are being constructed/converted/modified under procurement appropriations. Allowance list changes to operating end-items, beyond the definitions of investment end-items as defined in subpar. a, are not chargeable to procurement appropriations. Such allowance list changes involving expense items in support of operating investment end-items are funded from Operation and Maintenance appropriations as follows:

(1) Operating Ships. When the Chief of Naval Operations or the systems commanders approve changes to equipage (including initial equipage), spares, repair parts, and material allowances during and between overhauls, the expense items for all changes to the allowances will be financed from FMP COSAL funds.

★(2) Operating Aircraft. The Aviation Consolidated Allowance List (AVCAL) is a retail level Department of the Navy Stock Fund (DONSF) inventory. Additional items required as the result of AVCAL changes are also DONSF owned and financed until sold to customer appropriations upon issue.

(3) Other Operating Equipment. When Command-approved changes are made to allowance lists involving expense items, other than intrinsically expense items issued with a change to the investment end-item as defined in subpars. a(3) and (4), the changes will be financed from the operation and maintenance resources available to the command having cognizance over the investment end-item being supported.

c. Shore Installations. The cost of expense items issued with an investment end-item of equipment to be installed at a shore activity, as defined in subpar. a(4), will be financed by the applicable investment appropriation. These items support the initial operation and maintenance of the particular equipment. A Coordinated Shorebased Allowance List (COSBAL) is a consolidated listing of spares, repair parts, and consumable items tailored to support organization maintenance for all authorized equipment installed at a particular shore activity. The COSBAL serves the same purpose for shore activities as the COSAL does for ships. Expense items for COSBAL's will be funded as follows:

1. Establishment of a COSBAL for existing equipment will be financed by operation and maintenance funds of the activity.
2. Outfitting of a COSBAL for new equipment installations or modifications of equipment will be financed by operation and maintenance funds of the systems commands.
3. ★ Replenishment of a COSBAL, and changes not associated with new equipment installations or modifications, will be financed by operation and maintenance funds of the activity if the COSBAL is accounted for as end use inventory or by the Department of the Navy Stock Fund (DONSF) if it is accounted for as DONSF inventory.

d. Organizational and Intermediate Maintenance Level Aeronautical Shore Maintenance Activities. The Individual Material Readiness List (IMRL) provides support to investment ground support equipment end-items. Intrinsically expense material, issued with the investment end-item or equipment as defined in subpar. a(4), is financed from the applicable investment appropriation. The cost of expense items on the IMRL, when not issued with the end-item of equipment, is financed by the Air Type Commander, with distribution of funds to units providing organizational and intermediate maintenance.

075365 MILITARY TRAINING FACILITIES, EQUIPMENT AND SUPPORT COSTS

1. GENERAL. This paragraph provides the basis for determining funding responsibility for facilities, equipment, publications and training aids required for the training and instruction of military personnel of the Department of the Navy (DON). Funding responsibility for training of foreign military personnel is also discussed.

2. BUDGET POLICY.

a. Training Support Agency. The training support agency is an office, command or headquarters responsible for providing material and other forms of support to the training agencies, and is assigned the following financial responsibilities:

1. provision of an initially usable item of training equipment, encompassing all investment and expense costs, for those items of equipment which are normally funded for service use by the agency, including procurement (except for collateral equipment associated with military construction projects), modification, modernization and initial spare parts and test equipment normally issued with training equipment when furnished for service use. The procurement of training equipment is budgeted in the same procurement appropriation as the equipment to be supported. However, training equipment will be budgeted in the Shipbuilding and Conversion, Navy (SCN) appropriation only if it is required for lead crew training and the equipment to be supported is budgeted in the shipbuilding program for the first time;
2. installation of training equipment, including: preparation of plans; alterations, conversions, rehabilitations, etc., of facilities required incident to installation (excluding military construction); and field engineer services;
3. removals and reinstallations which are an integral part of an initial equipment installation project, removal of equipment no longer used for training purposes, and reinstallations required because of the reestablishment of a training program;
4. initial training for the equipment furnished until the training agency can acquire the capability. This is a generally accomplished through factory training provided by a contractor to instruct personnel in the operation, maintenance and employment of equipment under procurement. Initial training includes instructional services as well as deliverable items of training

documentation and materials required to initially deploy the item being procured. Deliverable items include training aids and materials normally prepared by the contractor during the actual production of the new equipment during the preparation of technical or instructional publications or during the instructional training itself. The Operation and Maintenance appropriations fund instructional services and deliverables for both initial factory training and in-house Navy training. Procurement appropriations fund training investment items;

5. preparation and provision of technical or journeyman's manuals for the maintenance and operation of the equipment, and initial "learner level" manuals with associated instructor guides and trainee measurement aids when required for training in new equipment as well as for major modification to service equipment.

b. Training Agency. The training agency is an office, command or headquarters exercising command of and providing support to some major increment of the Department of the Navy's formalized training program and is assigned the following financial responsibilities:

1. provision of the basic buildings and/or ground sites required for the installation of technical or specialized equipment furnished by a training support agency;

★2. provision of maintenance (including Department of the Navy Stock Fund Account parts and materials) in accordance with the standards of the training support agency providing the equipment when that equipment has been accepted (except for depot level maintenance of aviation-related technical training equipment which is the financial responsibility of the Commander, Naval Air Systems Command);

3. removals and reinstallations incident to alteration, modification, or repair to the training facility's physical plant; the shifting of equipment within the training facility or removal and reinstallation incident to physical relocation from one training activity to another for the sole convenience of the training agency;

4. training, including factory training on equipment no longer in production or where the initial training provided by the training support agency has been completed;

5. provision of revisions to supplementary "learner level" manuals, with associated instructor guides and trainee measurement aids when required for use in established courses in the training agency's schools or training centers;

6. provision of all other equipment, supplies, and training materials used in day-to-day operations and required for training or instructional purposes in a school or training center under the command of the training agency, except as provided in subpar. d.

c. Training Devices. A training device is composed of components and software which have been designed or modified exclusively for training purposes, involving to some degree, simulation or stimulation to demonstrate or illustrate a concept or simulate an operational circumstance or environment. The following funding responsibilities pertain:

(1) Prototype Training Devices. The developing agency is responsible for the cost of development and acquisition of initial or prototype training devices as a Research, Development, Test and Evaluation (RDT&E) program cost until they are formally accepted by the Government.

(2) Follow-on Training Devices. Acquisition of follow-on training devices in the applicable procurement account may be budgeted on a case-by-case basis in the fiscal year in which the satisfactory completion of the critical design review for the prototype training device is expected, as supported by a prior successful development of the concept and cost data. Normally, however, acquisition team factory testing of the prototype should be completed by the time the follow-on procurement budget requests is submitted to the Congress. All follow-on

training devices for surface and subsurface related training of active naval forces and all air-related follow-on training devices are the financial responsibility of the systems commands/project managers. The Chief of Naval Reserve is responsible for funding follow-on devices for surface and subsurface related training of Naval Reserve forces. Follow-on devices peculiar to requirements of the Marine Corps are budgeted by the Commandant of the Marine Corps. In cases when the Chief of Naval Operations has approved equipment which meets the definition of a training device for use on or installation in any type or class of ship for the training of ship's company, it will be considered as ship's equipment and financed accordingly.

(3) Maintenance. Organizational and intermediate level maintenance of training devices is the funding responsibility of the training agency having custody of the device. Depot level maintenance of training devices is the funding responsibility of the cognizant inventory manager.

d. Other Support. Other forms of support are funded by specific offices, and commands as determined by the Chief of Naval Operations or the Commandant of the Marine Corps. For Navy activities engaged in formal classroom training and which are not under the command of the Chief of Naval Education and Training (CNET), the CNET has been assigned responsibilities for providing without reimbursement, specialized training equipment and devices when those items are not within the cognizance of the systems commands/project managers.

3. COORDINATION. The training agencies must furnish their requirements to the appropriate training support agency for timely insertion into the programming and budgeting system for appropriate action. Where budgetary or planning decisions result in a change in programmed training requirements, other component organizations affected by the change must be advised by the training agencies at the earliest possible opportunity. Likewise, the training support agencies must provide timely notice to the training agencies of budgetary and/or reprogramming decisions which affect training support capability and the development of new weapons systems or equipment.

4. FOREIGN MILITARY PERSONNEL. All direct and indirect expenses of providing training to foreign military personnel (and civilians associated with foreign military organizations) under the International Military Education and Training (IMET) and Foreign Military Sales (FMS) programs are reimbursable, except for military personnel costs of IMET training and indirect costs of FMS training sold to North Atlantic Treaty Organization (NATO) countries under NATO Standardization Agreement (STANAG) 6002. This agreement authorizes the reciprocal provision of training between the United States and the participating NATO countries and asset use charges for IMET and STANAG 6002 FMS Training. The Chief of Naval Personnel is responsible for budgeting and funding the military personnel costs related to IMET training provided to foreign personnel. Major claimants providing FMS training to NATO countries participating in STANAG 6002 are responsible for budgeting and funding the indirect costs.

075366 CONTRACTOR ENGINEERING AND TECHNICAL SERVICES

1. GENERAL. Contractor Engineering and Technical Services (CETS) provides the bridge of technical support to install, operate and maintain DOD weapons, equipment and systems until military self-sufficiency is developed. It consists of the furnishing of advice, instruction, and training to DOD personnel, by commercial or industrial companies, in the installation, operation and maintenance of such equipment. CETS does not include consulting and management services, "contract-out" services under provisions of OMB Circular A-76, or other recognized categories of contractor support governed by separate policy guidance. The current issuance of SECNAVINST 4350.8 provides applicable guidance.

2. BUDGET POLICY

a. General. All CETS contracted for on an "on-call" basis may not extend beyond the obligational availability of the financing appropriation.

b. Procurement Appropriations. CETS required to directly support the introduction of systems, components and other investment end items, including modification kits, will be budgeted in the same Procurement appropriation as the item supported on the basis that:

1. CETS will not exceed the 12-month period after acceptance of the first production unit of the model being produced, and
2. CETS will be procured as a separate line item in the production contract.

In the event that items within a contract are funded by several Department of the Navy Procurement appropriations, CETS qualifying for funding under Procurement appropriations will be funded by the dominant Procurement appropriation involved.

c. Research, Development, Test and Evaluation, Navy Appropriation. CETS required in direct support of research and development program effort for systems and other items, from inception through completion of initial operational test and evaluation, will be budgeted under the appropriation Research, Development, Test and Evaluation, Navy (RDT&E,N) and funded under the appropriate RDT&E,N project. Contract technical support which is not project oriented, e.g., range operations, is not categorized as CETS and is budgeted under RDT&E,N in the management and support category.

d. Operation and Maintenance Appropriations. CETS required to support follow-on test and evaluation efforts directed to the demonstration of operational suitability of systems and other items being introduced into inventory will be budgeted under Operation and Maintenance (O&M) appropriations. Additionally, CETS not meeting criteria for funding under RDT&E,N or Procurement appropriations will be budgeted within O&M appropriations, e.g., CETS authorized after the 12-month limitation.

e. Industrial Fund Activities. CETS requirements for activities which operate under industrial-fund procedures will be included in total CETS requirements budgeted in procurement accounts. However, CETS requirements beyond the 12-month period authorized to be financed by Procurement appropriations will be financed by the industrial fund.

075367 BOATS AND CRAFT

The Shipbuilding and Conversion, Navy (SCN) appropriation will budget for the following boats and crafts:

1. service craft included in the current issuance of SECNAVINST 5030.1, "List of classifications of naval ships and service crafts";
2. all landing craft;
3. boats which are part of the allowance list of ships being constructed or converted as SCN projects.

The Other Procurement, Navy (OPN) appropriation will budget for all new replacement boats other than those being provided as part of SCN projects.

075368 FLEET MOORINGS

1. BUDGET POLICY

a. General. The Naval Facilities Engineering Command (NAVFAC) is responsible for budgeting and funding for Navy-wide procurement, installation, maintenance, and repair of fleet moorings.

b. Exception. The stated general policy in subpar. a is not applicable to those moorings which are a part of the North Atlantic Treaty Organization (NATO) infrastructure.

2. APPROPRIATION RESPONSIBILITY. NAVFAC will budget and fund the costs associated with fleet moorings as follows:

1. procurement—from Budget Activity "Civil Engineering Support Equipment" of the appropriation Other Procurement, Navy;
2. installation, maintenance, and repair—from resources made available to NAVFAC within the Operations, Navy account.

3. NATO COMMON INFRASTRUCTURE MOORINGS. In accordance with responsibilities set forth in par. 075242, the Commander in Chief, U.S. Atlantic Fleet and the Commander in Chief, U.S. Naval Forces, Europe will budget and fund the United States' share of the operation and maintenance costs of NATO common infrastructure moorings.

075369 CRYPTOGRAPHIC DEVICES

1. SCOPE. This paragraph prescribes funding responsibility for costs incurred in the procurement, distribution, and repair of cryptographic devices within the Department of the Navy.

2. BUDGET POLICY

a. Procurement. The costs of procurement of cryptographic devices, including initial outfitting of replacement parts, subsequent modification kits, and Appropriations Purchases Account replacement parts for the Navy, Marine Corps, and Coast Guard is a budgeting and funding responsibility of the Space and Naval Warfare Systems Comand (SPAWAR) in the budgeting activity "Communications and Electronic Equipment" of the appropriation Other Procurement, Navy.

b. Distribution. The costs of distribution of cryptographic devices will be budgeted for and funded from resources made available to the Naval Security Group Command within the Operations, Navy account.

c. Maintenance

(1) Shore-Based Devices. The user activity will bear all costs of maintenance, repair, and modification of shore-based devices, including Navy Stock Account material. Navy activities will utilize resources made available within the Operations, Navy account. The costs for cryptographic devices held by the Registered Publications Issuing Office, however, will be funded by SPAWAR.

(2) Shipboard Devices. The maintenance, repair, and modification of shipboard cryptographic devices performed by naval shore activities will be funded from resources made available to SPAWAR within the Operations, Navy account. Cost of work performed aboard by members of ship's complement will be borne by the supply and equipage operating target funds supporting the ship.

(3) Airborne Devices. The maintenance, repair, and modification of airborne devices used in aircraft assigned to shore-based commands will be funded in accordance with the provisions of subpar. (1). The maintenance, repair, and modification of airborne devices used in aircraft assigned to afloat commands will be funded in accordance with the provisions of subpar. (2).

(4) Marine Corps and Coast Guard. The maintenance, repair, and modification of cryptographic devices performed by Marine Corps and Coast Guard units are the funding responsibility of the Marine Corps and Coast Guard, respectively.

★ d. Technical-Consultative Assistance and Non-Navy Stock Account Repair Parts. Technical-consultative assistance and non-Department of the Navy Stock Account repair parts are budgeted and funded from resources made available to SPAWAR within the Operations, Navy account. The non-Navy Stock Account repair parts will be provided to requiring activities on a nonreimbursable basis.

075370 AERIAL TARGETS

Aerial targets should be funded in the same manner as any other ancillary end item used in support of a major program. Program identification and related funding for aerial targets (drones or other types) will be in accordance with the following:

1. development of aerial targets—to be identified and funded as a research, development, test and evaluation (RDT&E) cost;
2. procurement and/or augmentation of aerial targets solely related to missiles under development, including test and evaluation—to be identified with and funded as an RDT&E cost;

3. procurement and/or general augmentation of aerial targets having general application for fleet operational use in training or evaluation and for development purposes, including test and evaluation—to be funded by the appropriation which normally funds the procurement for fleet operational use;
4. technical augmentation of an aerial target procured for fleet operational use in training or evaluation to meet the requirements of a specific missile under development, including test and evaluation—to be identified and funded as an RDT&E cost;
5. costs involved in connection with aerial targets furnished for Navy use by a non-Navy agency—to be funded by the appropriation and program supporting the missile requiring the use of the aerial target.

075371 GENERAL PURPOSE AUTOMATIC DATA PROCESSING EQUIPMENT AND SOFTWARE

1. SCOPE. The provision of this paragraph are applicable to general purpose automatic data processing (ADP) as defined in the current issuance of SECNAVINST 5230.4.

2. RESPONSIBILITY. Under procedures established by the Comptroller, approvals must be received from appropriate command authorities for automated data system proposals prior to inclusion of costs for new systems and/or major modifications to operational systems in the annual budget submission to the Comptroller. In this regard, Commander, Naval Data Automation Command (COMNAVDAC) provides technical and managerial staff support to the Chief of Naval Operations, the Director, Department of the Navy Automatic Data Processing Management, and the Deputy Under Secretary of the Navy (Financial Management) in the review, evaluation, and approval of ADP plans, projects, and acquisitions for all Navy commands. For additional information regarding approval authorities, see the current issuance of SECNAVINST 5231.1.

3. BUDGET POLICY

a. Computer Equipment. Procurement of ADP equipment meeting criteria as investment cost is budgeted by the appropriations Other Procurement, Navy (OPN); Procurement, Marine Corps; and Research, Development, Test and Evaluation, Navy (RDT&E); as appropriate, for nonindustrial fund activities. ADP equipment for industrial fund activities is funded by the industrial fund as detailed in par. 074623. Hardware acquisitions (including peripherals) financed as procurement include "turnkey" installations. The "turnkey" concept for the installation of equipment in real property facilities refers to installation wherein a single contractor provides equipment and its installation in a single contract citing a Procurement appropriation. Also financed as investment costs are standard, existing executive software packages available with the purchase of ADP equipment to be used without modification; integration of executive software with the equipment on a single contract to produce a usable end item; and proprietary software data bases. The computer acquisition program, for naval activities that are not financed under RDT&E,N, is included under Budget Activity 7 of OPN and centrally administered by the Office of the Chief of Naval Operations (OPNAV). All OPN ADP equipment requirements are consolidated into one budget line item. The Program Objectives Memorandum (POM) and outyear ADP equipment procurement requirements are maintained and managed by the appropriate OPNAV Program and resource sponsors. Upon identification of those assets during final POM review and/or Department of the Navy budget review, approved estimates are realigned into the single ADP equipment procurement line item. Commander, Naval Data Automation Command is the designated financial manager for program execution of the OPN computer acquisition program, with the following responsibilities:

1. execute all allotments for Navy ADP equipment;
2. ensure that Navy claimants/activities develop and initiate all necessary supportive contractual documentation for budgeted ADP equipment in a timely manner;

3. review procurement documentation for conformance with established rules and regulations prior to submission to the appropriate contracting authority;
4. conduct budget reviews and identify program variances, deficiencies, and assets resulting from milestone slippage or inability to execute within budgeted fiscal years;
5. make recommendations to the appropriation sponsor relative to the reapplication of assets to other ADP programs and also other programs within OPN to the extent that the program cannot be reasonably executed in the budgeted fiscal period. All below-threshold reprogrammings, with the exception of pricing adjustments not involving a change of scope to the approved program, require the prior approval of the appropriation sponsor.

b. Operational Automated Data System Support. ADP operational costs, such as personnel, maintenance, equipment rental, and consumables, are budgeted by the activity which operates the ADP system using appropriations/funds available for expenses. This responsibility includes costs of modification of executive software subsequent to acceptance of ADP equipment, preparation of applications software, software product improvement, systems alteration and software maintenance; equipment relocation, including utilities and installation; and construction projects not in excess of the amount currently authorized to be financed by the various appropriations/funds.

c. Servicewide or Unique System Development. The office, command, or Headquarters, U.S. Marine Corps which sponsors a new servicewide or unique ADP system is financially responsible for all preoperational costs including procurement, installation, test operations, all types of software, and software maintenance and update, regardless of where the system is installed. Generally, the preoperational funding responsibility terminates at the end of the fiscal year of installation and testing, at which time the operational support costs becomes a responsibility of the user. The smooth transition of this responsibility requires coordination between participating organizations. The preoperational sponsor is responsible for insuring budgeting coordination by informing the gaining organization of the funding and manpower resources requirements associated with the system in sufficient advance time for budgeting purposes.

d. Marine Corps Aviation Requirements. In recognition that both Marine and Navy Aviation units must use a standardized logistic management information system to realize effectiveness, the ADP requirements of Marine Aviation Groups (MAG) of the Fleet Marine Forces are considered as intrinsic aviation support and a Navy budgeting responsibility. Accordingly, procurement of ADP equipment for MAG requirements is included in OPN. The respective Fleet claimants are responsible for budgeting operational support costs of MAG ADP systems in the same manner as other Fleet aviation requirements.

e. Optional Use of Standard System. Subject to chain-of-command approval, activities may request the assistance of ADP system sponsors in the implementation of programs that are standard within the jurisdiction of the sponsor but not mandatory on a service-wide basis. In such situations of optional use of a standard system, the requesting activity is responsible for funding the out-of-pocket costs incurred by the sponsor in providing assistance with system implementation.

f. Management Systems Development for Industrial Fund Activities. The costs of management systems development and improvement effort for industrial fund activities are funded by the industrial fund. See par. 074723 for details.

g. Navy Regional Data Automation Center (NARDAC) Automatic Data Processing Support Chargeback. A complete NARDAC ADP support chargeback system will be implemented, effective FY 1982, to allocate ADP support costs to customer jobs. However, there will be two methods of funding ADP support provided to NARDAC customers. First, ADP support to all Department of the Navy (DON) customers, except Industrial Fund (NIF/

MCIF) activities,will be funded as a mission responsibility of the NARDACs. Second, all non-DON and Industrial Fund (NIF/MCIF) activity customers will reimburse the NARDACs for ADP support. During program execution, unplanned or unfunded ADP support requirements of DON (non-IF) customers which cannot be accommodated within the NARDACs budgeted resources will be reimbursed by the customers until they are accommodated in the next budget cycle for NARDAC mission funding.

h. Remote ADP Equipment. The criteria for determining the financial responsibility for remote ADP equipment depends on the factors of location and complexity. Remote ADP equipment which is located at the user's facility and does not require NARDAC personnel to operate it, such as cathode ray tubes (CRTs) are the financial responsibility of the user. Since the remote ADP equipment is for the benefit of the user and requires dedicated lines/modems to function, it follows that the cost of such is also the financial responsibility of the user. In the case where remote ADP equipment is sufficiently complex to require NARDAC personnel to operate it, the ADP equipment, dedicated lines/modems, and operators are the financial responsibility of the Naval Data Automation Center (NAVDAC) and NARDAC. ADP equipment located at the NARDAC is the financial responsibility of NAVDAC/NARDAC. When it is determined that a user's data processing functions have become sufficiently complex to warrant an organization change to a Naval Data Facility (NAVDAF), then the ADP equipment, dedicated lines/modems, and operators will become the financial responsibility of NAVDAC/NARDAC.

★i. Software Licenses. Proprietary software carries a copyright from the vendor which prohibits duplication or modification. Essentially, the purchaser is buying a license from the vendor to use the software on a particular system. Proprietary software financed on an "upfront payment" basis is an investment, subject to the expense-investment criteria. However, when financed on an "annual fee" basis, it is an expense item properly financed within appropriations available for expenses.

075372 TACTICAL/STRATEGIC AUTOMATIC DATA PROCESSING SOFTWARE

1. SCOPE. The provisions of this paragraph are applicable to automatic data processing (ADP) software for all tactical and strategic systems and equipment. These ADP systems are also referred to as special purpose ADP equipment and/or embedded computer systems.

2. BUDGET POLICY

a. Initial Software Acquisition. All costs related to executive and applications software feasibility studies, system design, development, preparation, modification, integration, and test and evaluation, including interfaces with other equipment/systems, will be budgeted in the Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation as an element of the equipment/system development program. RDT&E,N will finance all effort necessary to deliver the computer programs and documentation necessary for operational use. Integration of available software, i.e., software already developed, in new combinations/applications or for conversion/application to a new equipment/system will also be budgeted in RDT&E,N. The intent of this policy is that RDT&E,N will fund all work leading up to a service approved operational software program for the equipment/system. For ship construction or conversion, development of individual equipment/system software will be budgeted in RDT&E,N as outlined in this subparagraph. Integration of fully developed equipment/system software into a new construction or conversion ship will be budgeted in the Shipbuilding and Conversion, Navy (SCN) appropriation. However, if the lead-ship is budgeted as a RDT&E,N prototype, software integration will also be budgeted in RDT&E,N. The cost of initial software acquisition for procurement financed equipment/systems which have not required a prior RDT&E,N financed development program will be budgeted in the applicable Procurement appropriation.

b. Software Maintenance. Expense items for life cycle maintenance of operational software will be budgeted in Operation and Maintenance appropriations. Investment items necessary for software maintenance will be budgeted in the applicable Procurement appropriation. Both expense and investment costs related to software maintenance of tactical/strategic systems which are not placed into production/operational use but retained for further RDT&E effort will be budgeted in RDT&E,N.

c. Software Product Improvement. The funding of product improvement of operational software is governed basically by the "performance envelope" concept. The performance envelope of software is defined by the program performance specification contained in the software documentation prescribed by Department of Defense Standard (DOD-STD) 2167, "Defense System Software Development." In determining the proper funding source, the performance envelope criterion is tempered by the scope and cost of the effort involved. The following policy applies:

1. software product improvement that expands the current performance envelope will be budgeted in the RDT&E,N appropriation. As a limited exception to this basic funding policy, minor improvements that expand the performance envelope may be incorporated during regular operation and maintenance-funded software maintenance. However, these improvements must be relatively minor in scope/cost and must be capable of being accomplished concomitant with normal "within performance envelope" maintenance changes. Exercise of this exception is predicated on the existence of a configuration control management system in order to make the subjective review and decision that a performance envelope change is minor in scope/cost and can be incorporated during maintenance, and thereby qualify as an exception to RDT&E,N funding;
2. software product improvement within the current performance envelope for an equipment/system currently in production will be budgeted in the procurement appropriations if the improvement is prepared as an approved system change by the equipment/system manufacturer. Software product improvement within the current performance envelope for an equipment/system no longer in production will be budgeted in the Operation and Maintenance appropriations. In any case, level-of-effort software product improvement within the current performance envelope by either in-house activities or contractors will be budgeted in Operation and Maintenance appropriations as normal life cycle maintenance (see subpar. b).

075373 SHIP INVESTMENT, OVERHAUL AND MODERNIZATION

1. GENERAL. Normally, the Shipbuilding and Conversion, Navy (SCN) appropriation funds the construction of new ships and the acquisition, major reactivation, conversion, and service life extension of existing ships. Generally, ship overhaul and modernization is funded by the Operation and Maintenance appropriations for items classified as expenses and the applicable Procurement appropriation for items classified as investments. The classification of work performed on existing ships as either SCN or overhaul/modernization is determined by the scope of the work involved. When a ship program does not clearly fall within the category of overhaul/modernization, it should be budgeted in the SCN appropriation. There are specific instances where the Research and Development appropriation will finance both acquisition and maintenance aspects of ships for use in research projects.

2. DEFINITIONS

a. Construction. Construction consists of that work necessary to build a new ship, including all hull, mechanical and electrical equipment, electronics, combat systems, communications systems, etc.

b. Acquisition. Acquisition is the procurement of an existing ship, including the addition of equipment and systems required to meet approved initial operating characteristics.

c. Reactivation. Reactivation is that work necessary to recommission a ship which was previously in the active fleet. If the work is of such magnitude to change the mission/characteristics or extend the useful life of a ship, it is considered a major reactivation which constitutes an extension of the original capital investment in lieu of replacement by new procurement. When reactivation consists of work to repair and update the same or similar military capabilities with modern technical improvements without changing the mission/characteristics or extending the useful life of a ship beyond the original construction design, it is considered overhaul/modernization. For example, USS NEW JERSEY was reactivated during the Southeast Asia conflict as a major gun platform without significantly changing the mission or military characteristics. At that time, the reactivation was funded with applicable Procurement appropriations and the O&MN appropriation. As the battleships are currently being reactivated, the SCN appropriation is being utilized to fund the significant increase in their military capability as well as their new role in the fleet battle groups.

d. Conversion. A conversion consists of that work necessary to change the mission or type classification of a ship and/or to appreciably change the military characteristics of a ship.

e. Service Life Extension Program (SLEP). A Service Life Extension Program (SLEP) consists of that work necessary to significantly extend the useful life of a ship beyond that expected of the construction design considering normal maintenance, repair, and overhaul. This entails the work necessary to restore the hull, machinery, and all equipment, including combat systems, to a level of serviceability adequate to support mission requirements of the ship during its extended life. Improvements to military and technical characteristics by alterations made in conjunction with such restoration may be included. Typically, such work involves laying-up the ship for an extended period beyond that necessary for normally scheduled overhaul. A SLEP constitutes an extension of the original capital investment in lieu of replacement by new procurement.

f. Overhaul/Modernization. Overhaul/modernization consists of that work necessary for depot level repair and for incorporation of military and technical improvements without significantly changing the mission and characteristics or extending the useful service life of the ship beyond the construction design.

3. SCOPE OF SCN FUNDING

a. Ship Equipment. An item will not be budgeted in the SCN appropriation if delivery of the item is scheduled to occur after ship delivery. Additionally, no items will be added to the SCN ship equipment list, if at the time of procurement, the item is scheduled to be delivered after ship delivery. All items scheduled to be delivered after ship delivery will be budgeted in the applicable Procurement appropriation for acquisition and the O&M appropriation for installation. SCN will fund the installation of those items planned for installation prior to ship delivery but whose actual delivery slips into the ship post-delivery period.

b. Concurrent Funding. During the period from ship delivery to the SCN obligation/work limiting date for the ship, concurrent periods of availabilities (PSA, IMAV, RAV) may be scheduled to accomplish post delivery work in the most cost effective manner. The overall obligation/work limiting date for SCN funding is 11 months following completion of fitting out (CFO) of the ship. During such periods, concurrent obligation and expenditure of SCN, Weapons Procurement, Other Procurement, and Operation and Maintenance (O&M) appropriations for appropriate categories of work may be made, provided that separate accounting of funds is maintained.

4. SCOPE OF O&MN FUNDING. The authority to use O&MN funding after the expiration of the fiscal year for ship maintenance and modernization for availabilities is contained in 10 U.S.C. 114. The authority applies to regular and complex ship overhauls exclusively. The law allows for: (a) payment from annual appropriations available at time of induction for unusual cost overruns incident to ship overhaul maintenance and repair for ships inducted into industrial fund activities or contracted for in prior fiscal years, provided that the Secretary of Defense shall notify the Congress promptly prior to obligation of any such payments; (b) payments from annual appropriations to industrial fund activities under contract for changes in

scope of ship overhaul, maintenance, and repair after expiration of the appropriation available when the work was inducted into the industrial fund activity or contracted; and (c) payment for depot maintenance contracts for 12 months beginning at any time during the fiscal year.

★5. CEREMONIES FOR KEEL LAYING, LAUNCHING, COMMISSIONING, RECOMMISSIONING, OR DECOMMISSIONING OF NAVAL SHIPS

a. Keel Laying. Costs of significant keel laying ceremonies will be borne by the building activity as part of the construction cost of the ship. For example, it is appropriate to have keel laying ceremonies for the first ship of a new class or when a keel laying event can be combined with the launching and christening ceremony of another ship. Allowable costs will include the cost of music, local transportation, flowers, printed invitations and programs, minimum-sized platform built as simply as possible and large enough to accommodate the speakers and guests, modest decoration of the platform with bunting, and a speaker's shelter for rainy weather, if necessary. The costs described above are allowable under the shipbuilding contract, provided that they are clearly distinguishable from all other costs which the builder incurs for keel laying ceremonies. No entertainment costs, such as personal expenses of the speaker and guests, engraved invitations, luncheons, dinners, or gifts for the speaker, will be charged either directly or indirectly to shipbuilding funds or to any Navy appropriations.

b. Launching. Allowable costs of ceremonies as outlined in subpar. a, including the cost of one bottle of christening champagne, will be borne by the building activity as part of the construction cost of the ship for launching ceremonies. In addition, travel expenses of sponsors authorized in accordance with the Joint Travel Regulations, Volume 2, are allowable. However, there is no authority to pay the travel expenses of the children or attendants of sponsors because they travel voluntarily and do not perform an official function. Authorized travel expenses will be paid from the Shipbuilding and Conversion, Navy (SCN) appropriation.

c. Precommissioning and Commissioning

(1) General. The SCN appropriation funds the costs for those items required to place a newly constructed or converted ship on an operating basis. Funds are budgeted in the SCN appropriation for precommissioning and commissioning costs for all newly constructed or converted ships. Costs funded by SCN are specified below.

(2) Costs Chargeable to Precommissioning Fund. The cost of supplies required in advance of actual commissioning for day-to-day purposes is funded by the SCN appropriation. These funds also finance miscellaneous costs attributable to precommissioning such as the cost of gasoline and oil for vehicles, tunnel and bridge tolls, and telephone services, but may not be used to build up a stock of supplies and equipage for future use.

(3) Costs Not Chargeable to Precommissioning Funds. The following costs may not be funded by the SCN appropriation:

1. entertainment expenses, engraved invitations, luncheons, dinners, gifts, etc.; however, if warranted by the commissioning ceremony, official representation funds may be requested from the CNO (OP-09B) for a commissioning reception under circumstances as authorized by the current series of SECNAVINST 7042.7G;
2. ships allowance list requirements, or additional qualities of equipage;
3. recreational material, such as television receivers, fishing kits, ice cream machines, rental of commercial motion picture film, purchase of books for the library, and similar items;
4. furniture and furnishings, such as rugs, draperies, desks, chairs, wardrobes, tabletop coverings, and similar items;
5. various nonstandard supplies comparable with, but not listed on, the ship's allowance list, such as tablecloths, bread trays, and silver bowls, unless approved as in excess of authorized allowance pursuant to existing regulations;
6. souvenir or gift items such as oil paintings, cigarette lighters, pens, pencils, ash trays, and napkins embossed with the ship's name, profile, or both.

(4) Costs Chargeable to Commissioning Funds. The following commissioning costs are properly funded by the SCN appropriation:

1. costs of a first commissioning ceremony for music, local transportation, flowers, decorations, printed invitations, and programs, and the cost of work and services necessary to commission the ship, such as assembly and disassembly of the speakers' platform, seating arrangements, the public address system, and related items, but these expenses will be kept to a minimum;
2. miscellaneous type charges incurred incident to commissioning, such as cost of gasoline and oil for vehicles, tunnel and bridge tolls, and telephone services;
3. inivitational travel orders issued as authorized in Joint Travel Regulations, Volume 2, to fund the travel expenses of the speaker, sponsor, or anyone else who performs an official function in connection with a commissioning.

(5) Costs Not Chargeable to Commissioning Funds. The items listed in subpar. c(3), as not being chargeable to the SCN appropriation.

6. RESEARCH AND DEVELOPMENT SHIPS. For ships assigned to Program VI (Research and Development) of the Five Year Defense Program the cost of reactivation, SLEP, conversion and overhaul/modernization will be budgeted in the Research, Development, Test and Evaluation, Navy appropriation. In addition, ship platform financing for Research, Development, Test and Evaluation (RDT&E) purposes is further described in par. 075403.

7. MILITARY SEALIFT COMMAND (MSC) SHIPS. Ship construction, acquisition, major reactivation, SLEP and conversion will be budgeted in the SCN appropriation. Ship overhaul will be financed by the Navy Industrial Fund (NIF) for recovery through MSC rates. Ship modernization will be funded as delineated in par. 074623.

075374 RECREATION EQUIPMENT

1. SCOPE. Equipment that is used for recreation purposes for Category III Military General Welfare and Recreation activities at naval shore installations and aboard ships is classified as Morale, Welfare, and Recreation (MWR) Support Equipment (see par. 075500). This equipment supports leisure time activities of military personnel. Categories of recreation equipment supported from appropriated funds are athletic, entertainment, hobby and craft, physical fitness, and water sports.

2. BUDGET POLICY

a. General. Recreation equipment is budgeted as an initial outfitting requirement for new construction/conversion ships and naval shore facilities financed under the Military Construction Program or as replacement/augmentation requirements for operational ships and facilities. Budgeting and funding responsibility is provided in subpars. b and c.

b. Initial Outfitting

(1) Shipboard Recreation Equipment. Initial outfitting of recreation equipment aboard naval vessels is determined in accordance with the

allowance list developed for each class of ship. The Commander, Naval Sea Systems Command in conjunction with the Commander, Navy Military Personnel Command (NMPC) is responsible for reviewing the adequacy of shipboard allowance list. Recreation equipment for new construction/conversion ships is budgeted by the Naval Sea Systems Command as a cost of initial outfitting in the Shipbuilding and Conversion, Navy appropriation.

(2) Shore Activity Recreation Equipment. The Commander, Naval Facilities Engineering Command (NAVFAC) is assigned responsibility for budgeting and funding initial outfitting requirements of naval facilities constructed under the Military Construction Programs. Certain MWR facilities may be eligible for initial outfitting of recreation equipment from appropriated funds as determined by review on a case-by-case basis. All equipment items needed to provide a complete and usable facility are included as initial outfitting requirements with the exception of consumables or expendables which are funded by Navy claimants as expense items in operating appropriations. NAVFAC in conjunction with the NMPC is responsible for requirements determinations of recreation equipment for initial outfitting. The initial outfitting of naval shore facilities is budgeted as collateral equipment under the Other Procurement, Navy (OPN); and the Operation and Maintenance, Navy and Navy Reserve appropriation dependent upon the expense/investment classification of the equipment.

c. Replacement/Augmentation

(1) Investment Items. Recreation equipment meeting the criteria of investment items for both shipboard and Navy shore activity use (including open messes) is centrally budgeted and funded by NMPC in OPN. Investment items for Marine Corps activities are centrally budgeted and funded by Headquarters, Marine Corps in PMC.

(2) Expense Items. Recreation equipment meeting the criteria of expense items is budgeted by Navy claimants in operating appropriations. Shipboard equipment is funded from ship Operating Targets (OPTAR), and shore activity equipment is funded from activity operating budgets and Navy Industrial Fund activity military support resources.

Section V: MILITARY CONSTRUCTION

075380 SCOPE

This section presents investment funding policy for the military construction programs. It includes guidance for installed equipment and supervision, inspection, and overhead (SIOH). An explanation of cost and scope variations are provided as project restrictions to the appropriated amount of a construction requirement. Additional authorizations are discussed, such as, restoration of damaged facilities, contingency projects, and emergency projects. To conclude the section, a paragraph is devoted to requirements which are funded outside the Military Construction appropriations.

075381 DEFINITION

Construction is the erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; the acquisition of a facility, or the relocation of a facility from one installation to another. Construction includes equipment installed and made part of such facilities, the cost of land and rights therein (other than leasehold), related site preparation, excavation, filling, landscaping, and other land improvements.

075382 INSTALLED EQUIPMENT

Installed equipment, sometimes called "built-in equipment," is accessory equipment and furnishings that are required for operation and affixed as a part of the building or facility. The equipment is engineered and built into the facility as an integral part of the final design and as an essential part thereof. Equipment of this category is considered part of the building or facility and is normally accounted for under real property class 2 (see par. 036102-2). The following items are typical examples:

1. furniture, cabinets, and shelving (built-in);
2. elevators and escalators;
3. heating, ventilating, and air-conditioning installations;
4. ★ electric generators and auxiliary gear, including facility Uninterruptible Power Supply (UPS);
5. waste disposers such as incinerators;
6. chapel pews and pulpits.

The initial costs of procurement and installation of installed equipment are specifically defined as construction costs and shall be included in the cost of a construction project.

075383 SUPERVISION, INSPECTION, AND OVERHEAD

Supervision, Inspection, and Overhead (SIOH) costs included in the military construction program cover the costs indicated herein which are incurred at Naval Facilities Engineering Command (NAVFAC) Headquarters and each Engineering Field Division (EFD) for administrative services and supplies and on-site services and supplies in connection with supervision and inspection of military construction. Included are costs of civilian personnel compensation, travel, transportation, training, printing and binding, rents, contractual services, supplies, materials, and equipment in the performance of the following:

1. studies and analyses of plans and specifications and conferences of construction design personnel to establish construction sequence and review design requirements;
2. participation of construction staffs in preaward activity to acquaint prospective bidders with nature of work;
3. award and administration of construction contracts;
4. award and administration of contracts which provide for supervision and inspection;
5. establishment of benchmarks and baselines required for layout of construction;
6. review of shop drawings prepared by construction contractors for suitability and fit with construction by other trades and contractors;
7. assuring that construction is performed in compliance with plans and specifications

by supervision and inspection of construction work and conferences with the contractor to coordinate various features of the project and endorse compliance with schedule;

8. negotiation with the contractor on all contract modifications, including preparation of all contract documents required therefor;
9. estimating quantities, determining periodic payments to contractors, and reviewing and approving contract payments, including any measurements required therefor by Government forces;
10. construction staffs review and approval of construction schedules and progress charts, as prepared by contractor;
11. preparation of progress and completion reports;
12. NAVFAC Inspector General services related to the military construction program;
13. additional expenses incurred by the Government representing liquidated damages assessed contractors as a credit offset against the contracts;
14. project management and administration not otherwise identified herein.

Detailed guidance on SIOH may be found in the Military Construction Financial Management Handbook (NAVSO P-1570).

075384 PROGRAM RESTRICTIONS

1. AUTHORIZED AMOUNT. Each statement of a construction requirement, or project, is documented on a DD Form 1391 which delineates the scope of the facility and supporting features and provides an estimate of their costs. This DD Form 1391 is the basis upon which annual congressional hearings on projects are held and subsequent authorization is granted. The limitations placed on exceeding these amounts are discussed in the following paragraphs. The authorization for a project expires in two years unless there is a construction start. In order to start construction the project must not only be authorized; funds must also be appropriated for the project.

2. TYPES OF VARIATIONS. Within the military construction program variations are restricted by individual project amounts, by the scope of work approved by Congress for individual projects, and by additional items of congressional interest. The authorized variations are provided in 10 U.S. Code 2853 for Military Construction, Navy (MCN), 10 U.S. Code 2233 for Military Construction, Naval Reserve (MCNR) and within the provisions of each Military Construction Appropriation and Authorization Act. The criteria for evaluating a requirement to increase authorized amounts are that the cost variations:

1. must be required for the sole purpose of meeting unusual variations in cost; and
2. could not have been reasonably anticipated at the time the estimate was submitted to the Congress.

3. PROJECT COST VARIATION. The cost authorized for a military construction project or the current working estimate of the cost of the project may be increased by not more than 20% of the amount appropriated for the project by Congress or $1 million, whichever amount is less. If a cost variation is required above this amount, a written notification of the facts relating to the proposed increased cost must be submitted by SECNAV for MCN projects to the appropriate committees of Congress. For MCNR projects the notification will be submitted by NAVFAC. Without specific congressional approval, 30 days must elapse from the date of submission before approval can be assumed. Once Congress has approved a cost variation for an individual project, any further cost increase to meet change orders or contractor claims for this project must be reported to Congress regardless of the amount involved.

4. PROJECT SCOPE VARIATION. A military construction project may not be placed under contract if, based upon bids received, the scope of work for the project, as approved by Congress, is proposed to be reduced by more than 25%. Exceptions can only be provided by Congress through the notification/approval process as provided for project cost variations.

075385 CONTINUING AUTHORIZATIONS

1. RESTORATION OF DAMAGED FACILITIES

a. MCN Projects. Under the authority of 10 U.S. Code 2854, continuing authority exists for the use of military construction funds, for repair, restoration, or replacement of facilities damaged by fire, explosion, storm, or other uncontrollable acts. When a decision is made to carry out construction under 10 U.S. Code 2854 and the cost is greater than $1 million, SECNAV must notify in writing the appropriate committees of Congress of the decision, the justification for the project, the current cost estimate, the source of funds and justification for carrying out the project under 10 U.S. Code 2854. Without specific congressional approval, 21 days must elapse after the notification has been received by the committees before approval can be assumed. Funding for approved restoration projects which meet the appropriate criteria may be obtained either by submission in an annual appropriations request if time permits or reprogramming of appropriated funds. Urgency is generally a precondition for reprogramming.

b. MCNR Projects. The lump sum authorization as provided in 10 U.S. Code 2233 allows the guard and reserve components to construct their highest priority projects within the total amount authorized and appropriate. If a damaged facility is to be replaced or repaired using MCNR funds, a project is inserted into the program through a reprogramming action and 21 days notification to the appropriate committee of Congress. Funds to be used are derived from savings accrued or the deferral of a project in the overall MCNR program.

2. CONTINGENCY PROJECTS. Within the amount appropriated for such purpose, SECNAV can carry out a military construction project not otherwise authorized by law, if SECDEF provides authority to do so and determines that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security or national interest. SECDEF must submit a report to Congress including project justification and the current cost estimate. The project may be carried out only after specific congressional approval, or at the end of 21 days after congressional receipt of the request, approval can be assumed. The continuing authorization for contingency projects is provided only in the MCN program.

3. EMERGENCY PROJECTS. SECNAV can carry out a military construction project not otherwise authorized by law if SECNAV determines that the project is vital to the national security and the requirement for the project is so urgent that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security. After the determination has been made to carry out an emergency construction project, SECNAV must submit a written report to Congress on the project justification and cost estimate, additional project justification for it being considered emergency construction, and the source of funds. If specific congressional approval is not received, 21 days must elapse beginning on the date the notification is received by Congress before approval may be assumed. The SECNAV maximum obligational authority in any fiscal year for all emergency construction projects $30 million. An emergency construction project must be carried out within the total amount of unobligated funds appropriated for military construction. It is therefore necessary to obtain funding approval for each project by a reprogramming action. The continuing authorization for emergency projects is provided only in the MCN program.

075386 EXCLUSIONS

1. CERTAIN MINOR CONSTRUCTION PROJECTS. Minor construction projects for the active forces which cost $200,000 or less are eligible for financing from appropriations available for operation and maintenance. Approval authority for this category of minor construction has been delegated to the major claimants. This includes projects at Government-owned and Government-operated research and development activities to be funded within the Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation, and

projects in support of industrial fund operations to be funded by the Navy or Marine Corps Industrial Fund. Projects approved at a cost of $200,000 or less are constrained in total cost, and if during execution it appears that an approved project will exceed the limitation, no work may proceed which will create obligations of the Government in amount in excess of the limitation. Immediate notification to the Chief of Naval Operations or the Commandant of the Marine Corps is required in order to obtain necessary authorization, dependent upon the revised estimated cost. Minor construction projects for the reserve forces which cost $100,000 or less are eligible for financing from appropriations available for operation and maintenance, with approval from Chief of Naval Reserve or Commanding General, Fourth Marine Division as appropriate.

2. MAINTENANCE AND REPAIR PROJECTS. Repair or maintenance has the effect of merely keeping the facility in the customary state of operating efficiency without expectation of added future benefits. Thus, repair and maintenance of a real property facility is classified as expense. This includes the replacement of facility components, including that equipment which is installed or built-in as an integral part of the facility (included within Class 2 property). The restoration by repair of a facility is an exception to this guidance and is considered investment as provided above.

3. RELOCATABLE FACILITIES

a. General. A building which meets the criteria of relocatability may be included in a construction project as an unfunded cost under the restrictive conditions specified in the current issuance of OPNAVINST 11010.20, Facilities Project Manual.

b. Definition. A relocatable building is one which is designed for the specific purpose of being readily moved, erected, disassembled, stored, and reused. All types of buildings designed to provide relocatable capabilities, including trailers, fall within this definition with the exception of shelters and building types and forms which are provided as an integral part of a mobile equipment item and which are incidental portions of such equipment components, such as communications vans or trailers.

c. Budget Policy. Unless relocatable buildings are specifically authorized for procurement using military construction funds, they are budgeted in the Other Procurement, Navy, and Procurement, Marine Corps appropriations, as appropriate, and classified as personal property. Personal property is an unfunded construction project cost. The cost of site preparation, foundations, exterior utilities, and other supporting construction requirements incident to the provisions of interim facilities using relocatable buildings is included in the construction project costs. The cost of refurbishing, packaging, transporting, and erecting Navy-owned relocatable buildings used for interim requirements are unfunded costs of the construction project and financed by appropriations and funds available for expense. The expense costs normally are financed by the claimant requiring the interim facility.

4. PERSONAL PROPERTY Personal property, sometimes called "plant equipment," or "equipment in place," is defined as accessory equipment and furnishings that are movable in nature and not affixed as an integral part of the facility. The costs associated with procurement of personal property are not construction. These costs are expense or investment based on the criteria provided in par. 075001. Further guidance on personal property is contained in par. 075361.

PART D: RESEARCH, DEVELOPMENT, TEST AND EVALUATION (RDT&E) FUNDING POLICY

075400 SCOPE

This Section contains budget and funding policy for the Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation which supports both Navy and Marine Corps programs. Categories of RDT&E work and the incremental programming policy are explained in detail. Several specific definitions of RDT&E work are provided and followed by an analysis of costs funded by RDT&E,N, RDT&E support costs funded by other appropriations, and cost determinations in special situations.

075401 CATEGORIES OF RDT&E WORK

1. GENERAL. While the primary divisions of the RDT&E program for the purposes of budget presentation are the budget activities, program reviews within the Department of Defense are accomplished in terms of RDT&E categories. These categories classify R&D effort within each budget activity in accordance with the degree of its approach to operational use.

2. RESEARCH. Category I, Defense Research, includes scientific study and experimentation directed toward increasing knowledge and understanding in those fields of the physical, engineering, environmental, biological-medical and the behavioral-social sciences directly related to explicitly stated long-term national security needs. It provides fundamental knowledge for the solution of identified military problems. It also provides part of the base for subsequent exploratory and advanced development in defense-related technologies and of new or improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility guidance and control, navigation, energy conversion, materials and structures, and personnel support.

3. EXPLORATORY DEVELOPMENT. Category II includes all effort directed toward the solution of specific military problems, short of major development projects. This type of effort may vary from fairly fundamental applied research to quite sophisticated breadboard hardware, study programming, and planning effort. It would, thus, include studies, investigations, and minor development effort. The dominant characteristic of this category of effort is that it be pointed toward specific military problem areas with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters. Normally, program control of the Exploratory Development element will be exercised by general level of effort.

4. ADVANCED DEVELOPMENT. Category III includes all projects which have moved into the development of hardware for experimental or operational test. It is characterized by line-item projects with program control exercised on a project basis. A further descriptive characteristic lies in the design of such items being directed toward hardware for test or experimentation as opposed to items designed and engineered for eventual Service use.

5. ENGINEERING DEVELOPMENT. Category IV includes those development programs being engineered for Service use but which have not yet been approved for procurement or operation. This area is characterized by major line-item projects with program control exercised by review of individual projects.

6. MANAGEMENT AND SUPPORT. Category V provides for development, test, and evaluation not separately provided for under other budget activities and not distributed directly to program elements having specific program objectives. R&D program requirements classified within this aggregate will be limited to those types of general R&D effort (work managed by "function") and will include items such as:

1. operation, management, and maintenance of general purpose research, development, test and evaluation facilities and activities;
2. servicewide or programwide costs;

3. certain Federal Contract Research Centers (e.g., the Center for Naval Analyses);
4. general instrumentation or equipment programs;
5. general "mission" type programs to develop, maintain, improve, or operate any multiuse, readiness, calibration, shakedown, or standby R&D capability when it is not practical to identify these with specific R&D objectives;
6. general R&D intermediate headquarters management and administrative activities when it is not practical to identify these with specific R&D objectives, but not including the management and administrative activities which are part of the operating expenses of performing R&D installations/activities.
7. any R&D installation or part thereof approved by the Office of the Secretary of Defense for operation on a general R&D "mission" basis rather than on the basis of funded orders for specified R&D program objectives.

7. OPERATIONAL SYSTEMS DEVELOPMENT. Category VI includes all effort having the primary objective of producibility demonstration and R&D phases of final service test of logistical and operational employment of a technically, economically, logistically and operationally acceptable system, equipment, subsystem or component, approved for procurement and operational deployment. It includes separately identified major product improvements related to inventory items and for new items, the building of production prototypes in sufficient quantity for the above test and demonstration utilizing all processes, tooling, and test equipment considered necessary for the production process thereby constituting a demonstration and qualification of the process.

075402 INCREMENTAL PROGRAMMING POLICY

1. POLICY. The Department of the Navy policy is to program RDT&E effort on an annual incremental funding basis as opposed to the fully funded basis on which procurement programs are developed. The objective of this policy is that the Department of the Navy's RDT&E,N effort shall be funded in increments coincident with the Government fiscal year, except as provided below, and that budget estimates shall be formulated accordingly. The Incremental Programming Policy (IPP) is a budgeting technique which generally should be followed throughout the programming and budget formulation cycle and during execution. However, this policy is specifically intended to be flexible in order to accommodate the execution of highly complex programs funded by the RDT&E,N appropriation which is legally available for obligation for 2 fiscal years. It is recognized that late appropriations, fund deferrals, technical difficulties, and other reasons may make obligation of funds by the end of the first 12 months increment (i.e., 30 September of the budget year) impractical. Therefore, exceptions to IPP are discussed below. IPP is a Departmental budgeting policy, therefore failure to follow the policy prescribed in this paragraph is an administrative infraction only, and is not a violation of Section 3678, R.S., if the funds are obligated within the 2-year availability of the appropriation and are otherwise appropriate as to purpose.

2. GUIDANCE FOR BUDGET FORMULATION

a. General. The budget year estimates of the financing needed (amounts to be programmed) for individual RDT&E projects, to be performed by agencies of the Government or by contractors, will be formulated to cover all costs expected to be incurred during the 12-month period, except for specific exclusions, provided that the costs are incurred only to further the project toward its objective during that increment of the total project schedule. The term "cost" includes not only the estimate of actual costs to be incurred during the described incremental time period, such as salaries and wages to be paid for work to be performed and material to be consumed, but also includes all other liabilities which will accrue to the Government and which have to be created during the time period in furtherance of the project, such as subcontracts to be awarded and lead time orders to be placed for project-related material and equipment which cannot be incremented. However, for a major weapon system, with a development program in excess of $200 million, which is being developed under a multiyear prime contract, first tier subcontract costs

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which may be included in an increment are those for a 12-month period extending not more than 12 months beyond the end of the fiscal year of the prime contract increment, if the subcontract is a cost-reimbursement contract of $5 million or more. Total first tier subcontract costs may be included in an increment of the prime contract if the subcontract is a fixed-price contract or is less than $5 million. Example 1 on chart shows funding coincident with fiscal year. Examples 2 and 3 show incremental variations for short-term contracts.

b. Short-Term Contracts. For projects performed by private concerns in which full completion of the contract is expected within a maximum period of 18 months, and where either:

1. it is considered that there is no logical way to divide the work, and therefore, it is in the best interests of the Government to finance the contract in full; or
2. it is expected to be clearly infeasible to limit the contract to a shorter period; or
3. the planned technical effort makes it clearly evident that no responsible contractor can be found who will accept the contract for a less-than-completion increment;

the budget estimates may provide for financing of more than 12 but not to exceed 18 months (Example 4 on chart).

c. Multiple-Year Contracts. In many projects, especially those involving a major weapons system or complex components or subsystems, the contract(s) with private concerns normally are awarded for the full development effort or for phases of the development effort and cover a performance period longer than 1 year. In these cases, the budget estimate for the contract effort shall not exceed that necessary to cover "costs to be incurred" for contract performance for an incremental period not to exceed 12 months. Budget estimates for multiyear contracts, wherever possible, should be structured so that as soon as possible in the life of the contract the funded increment will be coincident with the 12-month period beginning in October (Example 6 on chart). Where budget estimates cannot anticipate contract award in October, the initial incremental period should be less than 12 months (Example 7 on chart). On an exception basis, the first budget increment may extend no more than 3 months beyond the fiscal year (Example 8 on chart). In addition, there may be rare exceptional cases where extraordinary factors prevent the prescribed phasing so that it is necessary that each 12-month increment extend beyond the end of each fiscal year (Example 9 on chart). In all such exceptional cases, approved specifically by the Secretary of the Navy, the period of the budget estimate for a major weapon system may extend up to 3 months beyond the fiscal year.

d. Research Performed by Educational Institutions. In cases of projects included within the research category which are to be performed by educational institutions, or by institutions affiliated with educational institutions, where it is considered in the best interest of both the Government and the institution to provide necessary stability to attract and retain the required skilled personnel to work on problems of vital interest to the Department of the Navy, the budget estimate may provide for initial financing of such research projects up to a maximum increment of 36 months from date of contract award (Example 11 on chart). Subsequent to the initial increment, budget estimates for renewal increments of such projects will be limited to not more than 12 months from date of renewal (Example 12 on chart).

★e. Government-Owned RDT&E Installations. The budget estimates covering the cost of operation and maintenance of Government-owned research, development, test and evaluation installations which are funded on an institutional basis under operating budgets (block funded) will provide for financing of such installations on an annual basis coincident with the fiscal year of appropriation (Example 13 on chart). In the case of multiyear tasks and projects to be awarded to Government installations by reimbursable work order, the budget estimate for the initial and each subsequent increment will provide financing to cover the cost of installation labor, material and support to carry on the task or project for no more than a 12-month period. This period may not extend beyond the first 3 months of the year succeeding the budget year (Example 14 on chart). Contracts administered by a Government research, development, test and evaluation installation which are not in direct support of in-house effort shall be budgeted in accordance with subpars. b and c. Service and other contracts directly supporting in-house effort shall be budgeted in the same incremental manner as in-house effort except for short-term contracts (18 months or less) where incrementing is not feasible.

f. Federal Contract Research Center. Budget estimates shall provide funding for a 12-month increment coincident with the Government fiscal year.

3. GUIDANCE FOR BUDGET EXECUTION. Although the RDT&E,N appropriation is legally available for obligation for 2 fiscal years, the objective is to use these funds during the initial year of availability. If the budget could be executed precisely in accordance with the formulation plan, all funds would be obligated by the end of the first fiscal year and the major portion would have been disbursed. When because of late appropriations, fund deferrals, significant technical difficulties, protracted negotiations, and other reasons at either the headquarters RDT&E funds administering office or the performing activity, it may not be possible to execute a project as programmed and budgeted, the 2-year availability of the RDT&E appropriation for obligation provides for flexibility. If the award of a planned new contract, or the issuance of a reimbursable order, is not possible until the second year of availability, the preferred action is to restructure the funding plan to utilize the original funding in the first year of availability for urgent deficiencies elsewhere in the program and to use the following year appropriation to fund new contracts or orders. However, if inadequate funds in the succeeding year's budget make it mandatory that funds be used in the second year of availability, they may be used to fund new short term contracts for increments up to 18 months (Example 5 on chart), the first increment of a new multiyear contract or reimbursable order or extensions of existing contracts, orders and operating budgets which will not extend beyond the second year of availability of the appropriation. Funds for multiyear contracts or orders appropriated in the second year may be used to fund the second increment of the contract or order provided conformance with the incremental programming policy is attained by the end of the succeeding year (Examples 10 and 15 on chart).

4. RDT&E,N LEGAL RESTRICTIONS. The Incremental Programming Policy does not establish any additional legal restrictions beyond those already adhering to the RDT&E,N appropriation, i.e., funds are available for obligation for a period of 2 years and only for the purposes justified to and approved by the Congress. Therefore, there can be no violation of Section 3678 R.S., in the RDT&E,N appropriation if an obligation occurs during the 2-year availability and is otherwise appropriate as to purpose. However, in regard to the application of this incremental programming policy, the absence of violations of law does not diminish the seriousness of infractions against the policy. Officials disregarding the policy as expressed herein expose themselves and the Department of the Navy to substantial criticism, potential reprimand, and future funding reductions to subject programs.

5. ADMINISTRATION OF THE POLICY. Administering offices holding RDT&E,N allocations will be responsible for adherence to this policy in formulating and executing assigned segments of the appropriation. This includes responsibility for authorizing in-house work at field activities under operating budgets and reimbursable orders. The incremental programming policy does not impose any additional restrictions on field activities beyond those normally entailed in the acceptance of operating budgets and reimbursable orders except where the field activity is acting as a contracting agent. Contracts are to be administered by field activities subject to the guidelines established in subpar. 2 as modified for the exigencies of execution in subpar. 3.

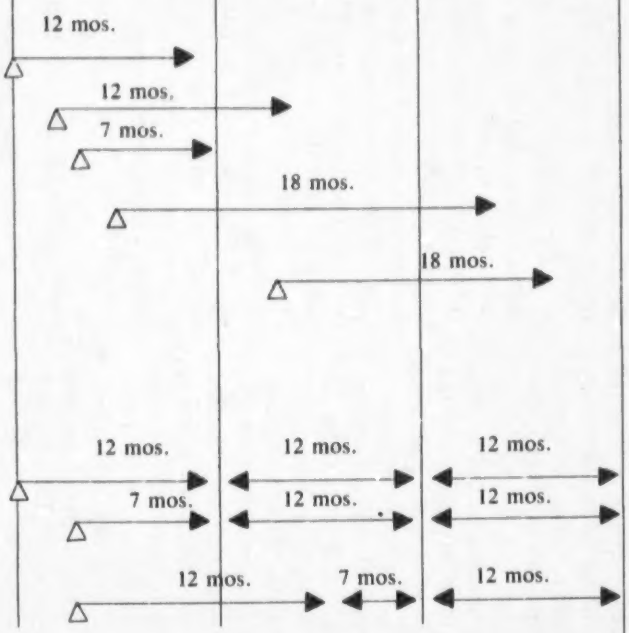
075403 PROGRAM AND BUDGET COSTS

1. SCOPE. This paragraph establishes definitions, policy, and cost criteria for classifying the financial resources to support Department of the Navy (DON) RDT&E programs. This guidance shall be used to define the content of the RDT&E,N appropriation.

2. DEFINITIONS. As used in this paragraph, definition of terms follow:

Development Test and Evaluation (DT&E)—Test and evaluation conducted to assist the engineering design and development process and to

RDT&E INCREMENTAL FUNDING



	Formulation	Execution	BY (CY) ONDJFMAMJJAS	BY + 1 (BY) ONDJFMAMJJAS	BY + 2 (BY + 1) ONDJFMAMJJAS	COMMENT
Short-Term Contract						
Example 1........	X		12 mos.			Coincident with the FY (objective).
Example 2........	X		12 mos.			Not coincident with the FY.
Example 3........	X		7 mos.			All effort within part of the FY.
Example 4........	X			18 mos.		Award made late in FY; maximum permitted duration is 18 months.
Example 5........		X			18 mos.	Award made in second year of availability; maximum permitted duration is 18 months. Budget cannot be based on this type of funding plan.
Multiyear Contract						
Example 6........	X		12 mos.	12 mos.	12 mos.	Coincident with the FY (objective).
Example 7........	X		7 mos.	12 mos.	12 mos.	First increment made to coincide with end of FY.
Example 8........	X		12 mos.	7 mos.	12 mos.	Exception: SECNAV approval is required if this pattern is used in budget formulation where the first increment extends beyond the end of the first year and the second increment is made to coincide with the end of the second year. Difficulties in execution may require this pattern.

Example 9	X		9 mos. 12 mos. 12 mos.	Exception: SECNAV approval is required if this pattern is used in budget formation, where the increments are not coincidental with the fiscal year. Difficulties in execution may require this pattern.
Example 10		X	9 mos. 6 mos. 6 mos.	Award made in second year of availability; funding pattern as shown in example 6 restored by end of next succeeding FY. Budget cannot be based on this type of funding plan.
Research Contracts-Educational Institutions				
Example 11	X		36 mos.	Maximum duration of initial increment is 36 months from date of award.
Example 12	X		18 mos. 12 mos.	Maximum duration of any increment after the initial increment is 12 months from date of renewal.
Government Installation				
Example 13	X		12 mos. 12 mos. 12 mos.	Institutional funding.
Example 14	X		9 mos. 12 mos. 12 mos.	Reimbursable orders; planned increment may extend up to 3 months into the following FY.
Example 15		X	10 mos. 6 mos. 6 mos.	Reimbursable order issued in second year of availability; second increment funded in second year of availability, maximum duration is 6 months of the following FY. Budget cannot be based on this type of funding plan.

verify attainment of technical performance specifications and objectives.

Operational Test and Evaluation (OT&E)—Test and evaluation conducted to estimate a system's operational effectiveness and operational suitability, identify needed modifications, and provide information on tactics, doctrine, organization and personnel requirements.

Initial Operational Test and Evaluation (IOT&E)—The early phase, or phases, of the normally longer overall OT&E program, conducted before commitment of a system to production, to provide a valid estimate of expected system operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements).

Follow-on Operational Test and Evaluation (FOT&E)—The latter phase, or phases, of the overall OT&E program, conducted after committment of a system to production to ensure that production items meet operational effectiveness and suitability thresholds, and to evaluate system and support changes needed to meet readiness and performance goals.

Prototype—An item representative of the intended production configuration which is utilized in IOT&E.

Product Improvement—All efforts of a research, development, design, or engineering nature which have the objective of improving major end items or major components of major end items.

Aircraft Engine Component Improvement Program (CIP)—While logically included within Product Improvement, this is a specialized term which applies only to the RDT&E,N-financed improvement of aircraft engines.

Government Acceptance of the First Procurement-Funded Aircraft—One of the two minimum requirements for initiation of CIP funding, referring to the date when the Government formally accepts delivery of the first aircraft funded under Procurement appropriations.

R&D Installation/Activity—Those installations or activities whose support and operating costs are financed predominantly with RDT&E funds.

Special Support Costs—Those acquisitions or hardware costs, other than those associated with the item which is the subject of the test, which are incurred in direct support of the test and evaluation effort, such as special range instrumentation costs.

Command Support Costs—The additive "people-related" costs of the command and operational units providing collateral support to the test and evaluation effort, such as per diem pay, travel allowances, overtime, etc.

Preliminary Design Costs—Those costs incurred in the early stages of shipbuilding programs to produce a design which, on a performance or requirements basis, approaches the Navy's goal.

Contract Design Costs—The phase of shipbuilding programs, following preliminary design, to produce a design which carries the equipment specifications necessary to meet the Navy requirements.

Detail Design Costs—The final design effort on ships normally performed in conjunction with leadship construction.

Approval for Production—The major milestone in a development program which represents the formal approval of an item for production for the operational use by the Service forces. In some instances items are approved for production with qualifying restrictions or provisions pending correction of specific development deficiencies. In such instances the cost of funding the correction and test must be determined on a case-by-case basis. Typically, all post-production approval effort will be funded in the Procurement appropriations.

Unique Joint Test and Evaluation (JT&E) Costs—JT&E costs such as: feasibility determinations of proposed joint tests; the provision for test design and planning support for joint tests selected; the development, procurement, installation, and operation of special instrumentation; transportation, travel, and per diem costs for the Test Director's staff; the modification of test articles as surrogates and to permit obtaining test data; transportation of equipment from permanent bases to the test site and return; and the provision for data collection/collectors, data reduction, analysis, and test reporting services. Transportation and per diem of participating personnel and maintenance and supply costs are not considered unique.

Performance Envelope—The demonstrated capability of a system, system components and special purpose software to perform its mission in relation to essential characteristics such as: speed, range, payload, altitude, rate of fire, etc.

3. COST FUNDED BY RDT&E,N. Generally, all RDT&E-related effort should be funded in the RDT&E,N appropriation so that it can be assessed from a priority standpoint with other research and development programs. Grey areas are to be resolved in favor of RDT&E,N funding. Contractual services and other costs, such as Government personnel, supplies, material, equipment and instrumentation are included.

a. General. The conduct and support of RDT&E includes basic research, applied research, theoretical studies, scientific experiments, feasibility studies, design studies, engineering studies, related weapons systems, operational and cost/effectiveness studies and analyses, definition studies, the various systems development stages, and related test and evaluation.

b. Test Articles. RDT&E test articles include the development, engineering, design, purchase, fabrication, or modification of experimental development, test, evaluation, or prototype articles (including end-items, weapons, equipment, components, or materials) in the quantities required to support testing in the conduct of approved RDT&E programs. Costs related to test articles also include any related design and manufacturing engineering, tools, tooling, and facilities necessary for the fabrication of a specific article under realistic conditions essential for reliable test results leading to approval of the end product for operational use.

c. Product Improvement. RDT&E,N-financed product improvement includes the research, development, engineering, testing and evaluation effort related to redesign of major end-items and major components (currently in production or in the operational inventory) to increase the then current performance envelope in order to extend the useful military life of such items.

d. Aircraft Engine Component Improvement Program (CIP). Aircraft engine component improvement is funded by RDT&E,N to provide for continuing improvements in the areas of reliability, maintainability, durability, correction of service-revealed deficiencies, time-between-overhaul, etc. The criteria for CIP is established at the point in time when there has been a Government acceptance of the first procurement funded item, and the item has successfully completed stringent qualification verification or testing to demonstrate initial production suitability.

e. Development Test and Evaluation (DT&E). Development and preproduction prototypes will be RDT&E,N financed and used for DT&E, including scientific, technical and weapons effects tests.

f. Initial Operational Test and Evaluation (IOT&E). Development and preproduction prototypes will be RDT&E,N financed and used for IOT&E. If it should be necessary to acquire a limited number of special pilot items from a pilot production line so as to provide the necessary representativeness, cost for establishing the initial pilot line and for these test items will be RDT&E,N funded. Retention of a pilot production line following a production decision is funded by Procurement appropriations.

g. Equipment or Instrumentation. The provision of equipment or instrumentation required for RDT&E effort includes its development, design, purchase, installation, and acceptance testing. Installation includes directly related foundations, shielding, environmental control, weather protection, structural adjustments, utilities and access. Included are land-based or sea-based combat system test installations required to conduct DT&E and IOT&E when necessary on the combat system of a new ship class. Installation costs are excluded from RDT&E,N financing if the effort is accomplished concurrently with a military construction project, and in these instances, the Military Construction appropriation finances the installation cost. To the extent that the installation cost exceeds $200,000 and is a government activity, no new facility or physical outer dimension expansion to an existing facility shall result from an RDT&E,N funded installation project.

h. Contractor Operated Facilities. The support of contractor RDT&E effort at Government-owned and contractor-operated industrial facilities includes the costs of specialized equipment, instrumentation, and facilities projects under restrictive criteria governed by the current issuance of SECNAVINST 4862.8. Statutory authority contained in 10 U.S.C. 2353 provides for the use of RDT&E,N funds as follows:

1. a contract for research or development, or both, may provide for the acquisition or construction by, or furnishing to, the contractor, of research, developmental, or test facilities and equipment that the Department determines to be necessary for the performance of the contract. The facilities and equipment, and specialized housing for them may be acquired and constructed at Government expense and may be loaned or leased to the contractor with or without reimbursement, or may be sold to him at fair value. This section does not authorize new construction or improvements having general utility;
2. facilities that would not be readily removable or separable without unreasonable expense or unreasonable loss of value may not be installed or constructed under this section on property not owned by the United States, unless the contract contains:
    (a) a provision for reimbursing the Government for the fair value of the facilities at the completion or termination of the contract or within a reasonable time thereafter;
    (b) an option in the United States to acquire the underlying land; or;
    (c) an alternative provision that the Secretary of the Navy considers to be adequate to protect the interests of the Government in the facilities;
3. proceeds of sales or reimbursements under this section shall be paid into the Treasury as miscellaneous receipts, except to the extent otherwise authorized by law with respect to property acquired by the contractor;
4. authority to make the required determination by the Secretary of the Navy is delegated to the various individuals set forth in Navy Contracting Directives 13-651 for projects under $3 million, and to the Under Secretary of Defense for Research and Engineering in excess of that amount.

★i. RDT&E Activities. RDT&E,N financing is appropriate for the operation and maintenance expenses of organizations/activities (including those operated by contract) which are classified as R&D activities because they are engaged in the conduct of the RDT&E program or primarily engaged in its management, administration, and direct support. This includes costs of end-items, weapons, equipment, components, materials, services, salaries, and base operations support of direct R&D effort, including minor construction projects within the dollar amount authorized for operating appropriations. Installation costs of equipment, when accomplished concurrently with a military construction project, will be financed by the Military Construction appropriation which finances the construction project. The salaries of R&D activity personnel who are performing technical work within the scope of a properly funded RDT&E,N reimbursable order or expense operating budget are properly chargeable to the RDT&E,N appropriation, regardless of where the work is performed (e.g., contractor's plant, departmental headquarters, program management offices). Base operations which do not support direct R&D effort are funded by O&M,N. This includes common support costs under host-tenant agreements; support of military facilities such as barracks, BOQs, and chapels; and support of morale, welfare, and recreation activities. (See Part B, Sections II and IV, of this chapter.)

j. Aircraft and Ships Assigned RDT&E Missions. The support of aircraft, service craft, and ships which are not part of the operating forces because they are assigned to Program VI (RDT&E) in the Five Year Defense Program includes all costs of operation and maintenance, such as flying-hours and depot level maintenance for aircraft, and steaming, alteration, overhaul, activation/inactivation for ships. Requirements for commercial charter and/or hire of ships and aircraft are also included when the primary purpose of the charter and hire is to support RDT&E,N funded projects.

k. Shipbuilding Design. The support of shipbuilding design includes preliminary design and contract design costs as follows:

1. preliminary design refers to costs incurred in definition of a ship's mission and performance parameters within limitations of technical feasibility that should result in a design which, on a performance-basis or requirements-basis, approaches the Navy's goal;
2. contract design follows preliminary design and refers to the tasks that expand preliminary design and engineering to establish configurations for a bid package containing the contract plans and specifications necessary to meet Navy requirements for the ship contract.

l. Prototype Training Devices. The development and initial acquisition of a training device are considered to be RDT&E program costs. The prototype training device, including its Government-furnished equipment and support, is funded by RDT&E,N until formal Government acceptance of the device. RDT&E,N will not fund beyond the initial system unless more than one system is required to demonstrate the training device performance. However, RDT&E,N finances the development cost of enhancing performance capability of devices already in inventory.

m. Manufacturing Technology. The Manufacturing Technology (MT) program, which demonstrates factory application of new or improved technology in producing defense items, will be RDT&E,N financed.

★n. Development Efforts Related to Future Leased Services. When the ultimate product to be procured by the Government is a leased service, budgeted and funded in an Operation and Maintenance appropriation, and the provider of the service requires up-front funding in order to design or develop major changes or improvements to meet the Government's requirement, then the costs of such development efforts will be budgeted and funded in the RDT&E,N appropriation.

4. RDT&E SUPPORT BY OTHER APPROPRIATIONS

a. Military Construction. The Military Construction, Navy appropriation provides for construction projects in excess of $200,000 at Government-owned and Government-operated R&D activities.

b. Military Personnel. The Military Personnel appropriations finance the cost of military personnel assigned to R&D activities or assigned to support RDT&E projects.

c. Family Housing. Costs of construction, operation, and maintenance of family housing at R&D activities are financed by the Family Housing, Navy and Marine Corps appropriation.

d. General Use Vehicles at R&D Activities. Requirements at R&D activities for general use vehicles in the Navy inventory are financed by Other Procurement, Navy (OPN), Budget Activity 5, Civil Engineering Support Equipment, as a responsibility of the Naval Facilities Engineering Command. RDT&E,N however, would appropriately finance the cost of a vehicle, trailer, or item of equipment required solely for a specific RDT&E purpose.

e. Departmental Headquarters Support. The cost of civilian personnel compensation (including benefits) and other direct expenses (administrative travel, office equipment and automatic data processing leasing and maintenance, supplies, printing and reproduction) incurred in support of RDT&E effort by the staffs of the Assistant Secretary of the Navy (Research, Engineering and Systems), Office of the Chief of Naval Operations, and Headquarters, U.S. Marine Corps are financed by Operation and Maintenance appropriations. However, support services obtained from in-house field activites or by contract are considered direct RDT&E support costs and are funded by RDT&E,N when integral to the execution of RDT&E programs. Additionally, travel of department-level personnel may be funded by RDT&E,N when integrally related to the technical execution of a specific RDT&E project (see par. 075183).

f. Fleet Support. The Operating cost of Fleet aircraft and ships in support of DT&E and IOT&E is financed from Operation and Maintenance appropriations by Fleet Commanders as Fleet operations cost. However, reimbursement to the Fleets from RDT&E,N is authorized for command support costs and special support costs incurred in connection with DT&E and IOT&E.

g. General Procurement. Articles (Including major end-items, weapons, equipment, components, and materials) of types regularly procured to meet established general requirements may be assigned or allocated on a priorty basis for use in support of approved R&D programs, and if not consumed in testing, may be financed by Procurement appropriations. These articles may include those which are normally procured for operational use, operational training, or for inventory. If the article is procured and utilized prior to being received into physical inventory or operational use then proper records must be established and maintained to assure accountability. This policy applies to all investment items of equipment, including assemblies, spares and repair parts which are subject to centralized individual item management (Appropriation Purchase Account and Marine Corps Appropriation Stores Account). RDT&E,N will finance any costs necessary to return the item to serviceable condition following test activities. Reimbursement by RDT&E,N is also required if the items cannot be returned after use.

5. NON-RDT&E RELATED COSTS FUNDED BY OTHER APPROPRIATIONS

a. Production and Logistics Testing. Testing funded by appropriations other than RDT&E,N includes acceptance, quality control, and surveillance testing of articles obtained for other than RDT&E purposes; routine testing in conjunction with logistics support; and testing related to the operation and maintenance of equipment and material acquired for use under appropriations other than RDT&E.

b. Follow-on Operational Test and Evaluation (FOT&E). For programs proceeding in the classical sense, FOT&E is funded by Procurement appropriations for acquisition of test articles and by Operation and Maintenance appropriations for personnel and command support costs incident to FOT&E effort.

c. Commercial Items. Commercial items for testing and operational evaluation by field units for doctrine, operational, or organizational use purposes and not requiring R&D engineering, design or integration effort are funded by Procurement or Operation and Maintenance appropriations, as applicable.

d. Advance Production Engineering. Costs associated with advance production engineering and other efforts to establish and test the capability of production facilities to produce items approved for production are included in the initial acquisition cost for the end item procurement quantity within the Procurement appropriations.

e. Management Studies and Analyses. Costs of evaluating organizational structure and distribution of functions, administrative operating policies, procedures, methods and systems (management studies) and applications of the management sciences to improve effectiveness in carrying out assigned functions are to be financed from the Operation and Maintenance appropriations. See par. 075404.

f. Product Improvement. Product Improvement of major end items and components thereof, within the current performance envelope, except for aircraft engine component improvement, is funded as follows:

1. engineering services and related effort by the producing contractor or manufacturing installation applied to an end item currently in production should be funded by Procurement appropriations. The phrase "an item currently in production", implies that the item has end item production funding in the year the product improvement effort is to take place;
2. engineering services and related effort by a manufacturing or operations type installation applied to an item no longer in production but still in the operational inventory should be financed by Operation and Maintenance appropriations.

g. Modification Kits. Fully developed and tested modification kits should be financed by Procurement appropriations. Associated installation costs of the modification kits into the operational inventory will be financed by the Operation and Maintenance appropriations.

h. Shipbuilding Detail Design. Detail design such as development of working drawings, engineering blueprints, and technical data on which actual ship construction is based will be funded by the Shipbuilding and Conversion, Navy (SCN) appropriation for those ships appropriately funded by SCN.

6. SPECIAL SITUATIONS

a. General. Depending upon actual program circumstances, certain types of costs may be funded either by RDT&E,N or other appropriations. Therefore, each Program/Budget proposal made in accordance with these instructions will be subject to review and determination. Special situations in this category are discussed in the following subparagraphs.

b. Test Articles. Whenever an appropriate number of test articles for an item under development has been financed by RDT&E,N, and subsequently, additional test articles become necessary to complete the DT&E and/or IOT&E program, then articles from approved initial production financed by procurement appropriations may be assigned to the test program. Costs to reconfigure the articles, first for test and subsequently for restoration, are financed by RDT&E,N. Articles which will be consumed in T&E and cannot be reconfigured for the inventory are financed by RDT&E,N. Conversely, articles/prototypes for T&E financed by RDT&E,N still available at the completion of the IOT&E test program may be reassigned for operational use or inventory, in which case the cost to reconfigure such articles for operational use are financed by Operation and Maintenance or Procurement appropriations, as appropriate.

c. Production Tooling and Facilities. When an end item under development has also been approved for production, hard tooling and production facilities requirements common to both the development and production phases will be financed by Procurement appropriations. When an end item under development has not been approved for production, tooling and other preliminary production facilities required to produce realistic development hardware for test and evaluation will be financed by RDT&E,N, even though such tooling and facilities might later be used in whole or in part for production if and when the item is subsequently approved for production.

d. Off-the-Shelf Equipment Redesign. While existing off-the-shelf equipment may be procured with Procurement appropriations, items which require engineering, design, integration, test, or evaluation effort shall be procured with RDT&E,N in sufficient numbers to support such effort. Product improvement to existing off-the-shelf equipment should be funded in accordance with the guidance contained elsewhere in this paragraph.

e. Ships and Ship-Type Vehicles

(1) Experimental Ships. An experimental test bed type of ship or an experimental ship will be financed by RDT&E,N. This includes all such experimental ships required to support an approved R&D program or for the purpose of experimenting with new or radical ship concepts or to demonstrate the military usefulness of new ship designs, configurations or fabrication techniques, when the ship-type test vehicle itself can be predicted to be consumed or expended in testing, or to have little or no operational usefulness in the force structure. Prototype ships, when designated by the Secretary of Defense, are included.

(2) Conventional Ships. A ship of demonstrated, conventional concept and design having a high probability of military usefulness and inclusion in the force structure, even though first of a class, will be constructed using Shipbuilding and Conversion, Navy funds. A ship of demonstrated conventional concept and design temporarily or permanently assigned from inventory to support R&D effort will be furnished without reimbursement. However, the cost of providing all R&D types of equipment or instrumentation, the cost of "nonstandard" modifications of the ship required to make the ship suitable for R&D support, as well as the cost of any related restoration to conventional or operational ship conditions upon release from assignment to R&D, will be financed by RDT&E,N.

f. Automatic Data Processing (ADP). See par. 075371 and 075372 for guidance concerning general and special purpose ADP.

g. Joint Test and Evaluation (JT&E)

(1) General. JT&E refers to test and evaluation conducted jointly by two or more Departmet of Defense (DOD) components as directed by the Director of Defense Test and Evaluation (DDT&E) in the Office of the Secretary of Defense. JT&E is conducted to test and evaluate capabilities of developmental and deployed systems in a joint environment, to evaluate joint operations concepts, and to determine requirements and interoperability of systems and forces. Tests involving alternatve concepts, organizations, tactics, or procedures are coordinated with DOD components and the Joint Chiefs of Staff. By definition, JT&E must be directed by DDT&E and does not encompass that joint testing initiated by and mutually agreed to by two or more DOD components for their own purposes.

(2) Director of Test and Evaluation, Defense (DT&ED) Appropriation. The Department of the Navy (DON) is reimbursed from the DT&ED appropriation (Program Element 65804D) for any unique costs associated with JT&E in which the Navy or Marine Corps participates. The costs to be reimbursed are for the direction, supervision and performance of JT&E and are for those costs which are unique to the needs of JT&E.

(3) Department of the Navy (DON) Appropriations. DON appropriations are responsible for those nonunique costs associated with JT&E in which the Navy or Marine Corps participates. Nonunique costs include: military expenses; transportation and per diem of participating personnel; hardware utilized for the test (other than special instrumentation and modifications); and, operation, maintenance and supply costs. When designated by the Secretary of Defense as executive agent for a particular JT&E, the Navy or Marine Corps is responsible for ensuring that all resources necessary for accomplishment of the JT&E are available to the Joint Test Director (JTD). This includes administrative management support and facilities for the JTD which are also the responsibility of DON appropriations. The responsibility of specific appropriations for funding JT&E costs assigned to the DON parallels the test and evaluation funding guidance contained elsewhere in this paragraph.

h. Follow-on Operational Test and Evaluation (FOT&E). When a program is to be executed in a concurrent manner, i.e., commitment of the system to production prior to completion of RDT&E, FOT&E is properly chargeable to RDT&E,N until completion of the RDT&E program. This FOT&E generally encompasses evaluation of system components not available during IOT&E, accomplishment of deferred or incomplete IOT&E, and verification of correction of deficiencies discovered during IOT&E. Typically, approval for full production is dependent upon this testing. See subpar. 5b for programs proceeding in the classical nonconcurrent manner.

7. USE OF DEPARTMENT OF THE NAVY RESEARCH FACILITIES BY ACADEMIC INVESTIGATORS

a. General. Department of the Navy (DON) specialized research facilities will be made available for research by academic investigators who are working on experiments which have scientific merit, relate to Department of Defense (DOD) research objectives, or contribute to the advancement of national research and research training. Academic investigators must agree to make the results of their research available to the DOD and all other interested Government agencies. It is anticipated that the scope of most academic research performed at DON activities will be sufficiently limited to be covered by funds and resources controlled directly by the activity concerned. However, Navy Industrial Fund (NIF) activities may request that funding be provided by the academic institution and/or a sponsoring organization.

b. Funding

(1) Department of the Navy Activities. Normal operating costs of the research facility being used by academic investigators will not be billed, unless significant incremental costs not directly related to the mission of the research facility will be incurred. Additional costs generated from the academic research may be borne by the DON activity

concerned. The significance of such costs and the anticipated impact on the mission will be determined, primarily:

1. by the local DON activity director, for research activities of the DON; and
2. by the primary DON contract monitor, for DON-sponsored research centers.

If the use of specialized research facilities by academic investigators for work directly related to the mission of a DON facility exceed the significant cost levels, the DON activity concerned will use its established program/budget procedures to obtain any additional operating resources which are required.

(2) Sponsoring Academic Institutions. Significant incremental operating costs not directly related to the mission of the DON activity concerned will be reimbursed by the researcher's sponsoring academic institution and/or any other organization involved. Significant costs for specialized equipment either purchased or fabricated by the DON activity, and the cost of research performed at the researcher's home institution will be borne by the sponsoring academic institution and/or other organizations involved. Academic institutions will make reimbursements for damage to DON furnished equipment and facilities.

(3) Significant Costs. For purpose of cost reimbursement, significant costs are defined as those in excess of $200.

075404 STUDIES AND ANALYSES

★1. GENERAL. Studies and analyses are those nonrecurring examinations of a subject which are utilized as essential tools by management in order to facilitate the decision-making processes. The authority and responsibility for approval and management of Department of the Navy (DON) studies is distributed among the senior commands and staffs; approvals of certain types of studies are specifically reserved for particular commands or principal advisors of the Secretary of the Navy as indicated in the current issuance of SECNAVINST 4200.31.

2. FUNDING. Those studies and analyses that support research and development activities, such as research, technology exploration and development, and test of initial tactics and doctrine will be programmed and budgeted in the Research, Development, Test and Evaluation, Navy (RDT&E,N) apropriation. In those cases where the scope of a study cannot be categorized as a specific research and development effort, but is being sponsored by a research and development activity, such studies and analyses will also be programmed and budgeted in the RDT&E,N appropriation. Studies and analyses which are in reality engineering or technical efforts integral to the production and delivery of specific end-items of equipment for operational use will be funded by the procurement appropriation under which the equipment is being procured. Examples of studies and analyses eligible for procurement appropriation funding are those necessary for production equipment layout, engineering changes, improvements to the manufacturing process, etc. Studies and analyses directly related to general industrial-commercial operations and management at an industrial fund activity, i.e., not related to a specifc customer order, will be funded by the industrial fund and charged as general overhead. However, any studies and analyses directly related to military support, i.e., nonindustrial-commercial functions at an industrial fund activity, will be funded by the appropriation of the management command which normally finances military support at the activity. Studies and analyses not subject to the financing criteria for RDT&E,N, procurement appropriations, or industrial fund activities will be programmed and budgeted in the Operation and Maintenance appropriations.

★PART E: MORALE, WELFARE AND RECREATION

Section I: GENERAL

Subsection 1: SCOPE

075500 SCOPE

1. GENERAL. Consistent with Department of Defense (DOD) policy to fund a well-rounded morale, welfare and recreation (MWR) program, the Department of the Navy (DON) operates and maintains various MWR activities and facilities which contribute to military effectiveness by promoting and maintaining the mental and physical well-being of military and civilian personnel. MWR programs cover a wide variety of activities including community support, child care, crafts, entertainment, physical fitness, and youth and family recreation. MWR programs are funded by both appropriated and nonappropriated funds. Administration of nonappropriated funds which support MWR programs is accomplished through nonappropriated fund instrumentalities.

2. MILITARY MWR PROGRAMS. Military MWR programs consist of activities which fall along a continuum, with activities that are essential to the accomplishment of the military mission at one end and activities that are desirable from a community standpoint at the other. Generally, this continuum also reflects the inverse relationship between an MWR activity's mission essentiality and its ability to generate revenues.

a. Mission Sustaining Activities. At one end of the spectrum are mission sustaining activities in which the military organization is a primary beneficiary and the activity provides identifiable recruiting and/or retention incentives. The activity generally has universal appeal to the DOD community and develops duty related skills or capabilities. Similar activities in the private sector are heavily subsidized by corporations or local government, and the activity usually has little potential to produce revenue independently. This category of MWR activity is supported almost exclusively with appropriated funds.

b. Basic Community Support Activities. In the middle of the spectrum are activities that contribute to the mission, but are capable of generating some revenue. However, they are not expected to sustain their operation solely as a result of that revenue. Appropriated fund support is authorized for a significant portion of the operating costs of these activities.

c. Business Activities. At the other end of the spectrum are activities which primarily benefit the individual. These activities are similar to those which are operated for profit or by private enterprise in the civilian sector. Business activities have a significant capacity to generate revenue, and authorized appropriated fund support is very limited.

3. CIVILIAN MWR PROGRAM. Civilian employee MWR activities are separate from their military personnel MWR counterparts. Civilian MWR activities consist primarily of food services, vending, resale activities and civilian general welfare, self-development, recreation, and leisure self-directed activities. Generally, they are required to be self-supporting (i.e., dependent on self-generated nonappropriated funds for support). Unless explicitly stated otherwise, the policies addressed below apply to military MWR programs. Policies governing civilian morale support activities are contained in SECNAVINST 7548.1.

Subsection 2: PROGRAM MANAGEMENT, DEFINITIONS, AND CLASSIFICATION OF ACTIVITIES

075510 PROGRAM MANAGEMENT

Within the Department of the Navy (DON), the Assistant Secretary of the Navy (Manpower and Reserve Affairs) provides broad policy guidance on MWR programs while the Assistant Secretary of the Navy (Financial Management) has responsibility for financial policy provisions applicable to MWR activities. The Chief of Naval Operations (CNO) and the Commandant of the Marine Corps (CMC) are responsible for detailed policy and coordination of MWR programs within their respective Services. Further, within the Navy, the Commander, Naval Military Personnel Command (NAVMILPERSCOM) acts as an agent for the CNO and the Commander, Naval Supply Systems Command has been assigned technical management responsibility for the Navy Exchange system (including temporary lodging facilities). Within the Marine Corps, MWR program responsibility has been assigned to the Morale, Welfare, and Recreation Support Activity (CMCMW).

075511 DEFINITIONS

1. NONAPPROPRIATED FUNDS (NAFs). Nonappropriated funds consist of cash and other assets received by NAFIs from sources other than monies appropriated by Congress. They are to be used for the collective benefit of military personnel, their dependents, and authorized civilians who generated them. While they are considered Government funds, they are separate and apart from funds which are recorded in the books of the Department of the Treasury.

2. NONAPPROPRIATED FUND INSTRUMENTALITY (NAFI). A NAFI is an organizational entity which performs a Government function. It acts in its own name to provide or to assist other DOD organizations in providing MWR programs. As a fiscal entity, it maintains custody of and control over its nonappropriated funds. NAFIs may be established for each MWR activity or for larger segments of a program via the "single fund" concept. NAFI contracts are U.S. Government contracts; however, they do not obligate appropriated funds of the United States. Policies governing NAFIs are contained in SECNAVINST 5401.2. NAF and NAFI also apply to certain resale activities and other authorized organizations designated as morale support activities which operate independently from MWR programs/activities.

3. NONAPPROPRIATED FUND INSTRUMENTALITY (NAFI) EMPLOYEE. NAFI employees are persons employed by a NAFI and compensated from nonappropriated funds. While considered Government employees, NAFI employees are governed by different laws and regulations than are civil service employees.

4. MWR FACILITY. A MWR facility is a building, structure, land area, or other real property used for MWR purposes.

5. SALE/RESALE OF MERCHANDISE AND SERVICES. Sale/resale pertains to the acquisition and resale of goods and services by MWR activities and/or concessionaires. Specifically excluded from this definition are activity fees and charges.

075512 CLASSIFICATION OF ACTIVITIES

1. GENERAL. MWR activities have been divided into three categories, with the level of direct appropriated support allowable defined by category, following budget policy established below.

2. CATEGORY A: MISSION SUSTAINING. This category contains those activities which are considered most important for the health and well-being of the military member. Also included are all consolidated support services functions such as accounting, procurement, or personnel services for one or more MWR activities, regardless of category. Category A activities include:

   1. Armed Forces professional entertainment programs overseas,
   2. MWR consolidated support service offices,
   3. gymnasium/physical fitness/aquatic training,

4. general libraries (excludes technical libraries),
5. parks and picnic areas,
6. recreation centers/rooms,
7. shipboard activities,
8. Shipboard/isolated/deployed/free admission motion pictures,
9. sports/athletics (self-directed, unit level, intramural), and
10. unit level programs and activities.

Fees are usually not charged for activities in this category and thus limited revenues are generated. Category A activities should be supported primarily with appropriated funds (APF), with the use of nonappropriated funds authorized as supplemental funding for the operation of a facility or program.

3. CATEGORY B: BASIC COMMUNITY SUPPORT ACTIVITIES. Category B contains activities closely related, in terms of supporting the military mission, to those grouped in Category A. These activities differ from those in Category A, primarily, because fees are usually charged for participation and thus some revenue is generated. Category B activities include:

1. amateur radio;
2. arts and crafts skill development;
3. automotive crafts skill development;
4. bowling centers (12 lanes or less);
5. child development centers;
6. community centers;
7. entertainment (music and theater);
8. marinas without resale or private boat berthing;
9. outdoor recreation;
10. recreational information, tickets and tour services;
11. recreational swimming pools;
12. sports programs (above the intramural level);
13. Stars and Stripes;
14. youth activities.

These activities are not expected to sustain themselves based purely on the fees charged. These MWR activities are generally supported by a mixture of APF and NAF.

4. CATEGORY C: BUSINESS ACTIVITIES. Category C activities have the highest capability to generate revenue through the sale of goods and services to authorized patrons for use in specific morale programs. Category C activities include:

1. academic bookstore,
2. Aero clubs,
3. amusement machine locations and centers,
4. animal care funds,
5. Armed Services exchange and related activities,
6. Armed Forces recreation centers (accommodation/dining and resale facilities),
7. audio/photo and other resale activities,
8. bingo,
9. bowling centers (over 12 lanes),
10. cabins/cottages/cabanas/recreational guest houses,
11. catering,
12. golf courses,
13. Joint Service facility (The New Sanno),
14. marinas and boating activities with resale or private boat berthing,
15. military open messes/clubs,
16. motion pictures (paid admission functions),
17. motorcycle clubs,
18. package stores,
19. pro shops,
20. recreation rental equipment checkout,
21. rod and gun clubs,
22. scuba/diving,
23. skating rinks,
24. skeet/trap ranges,
25. snack bars/soda fountains,
26. stables,
27. temporary lodging facilities, and
28. unofficial commercial travel services.

Business activities receive only limited APF support. However, business activities located in extremely remote and isolated areas, as approved by Congress, may be provided appropriated support similar to that authorized for basic community support activities (Category B). Paragraph 075521-3 contains additional information on military open messes/clubs, temporary lodging facilities, Joint Service Facility (The New Sanno), and recreation rental equipment checkout activities.

Section II: BUDGET POLICY FOR OPERATIONS

075520 GENERAL

The classification of a MWR activity as mission sustaining (Category A), basic community support (Category B) or business (Category C) generally governs applicability of appropriated fund (APF) and nonappropriated fund (NAF) support. In general, Category A and Category B activities depend largely on appropriated funds, with nonappropriated funds used as a supplement to maintain operations when necessary. Category C activities are primarily dependent on nonappropriated funds to sustain operations. All costs directly related to the sale of merchandise or services and to the internal management (e.g., NAF financial management, NAF personnel management, NAF forms, NAF payroll documents and time clocks/sheets) of NAFIs should be financed using nonappropriated funds, regardless of category of activity. Both appropriated and nonappropriated funds required to support military MWR programs must be identified in annual budgets.

075521 DIRECT OPERATING COSTS

1. OPERATIONS OF CATEGORY A (MISSION SUSTAINING) ACTIVITIES. Category A activities are generally financed with appropriated funds (APF). Nonappropriated funds (NAF) may be used to supplement appropriated funds and must be used for the following:

    1. costs associated with NAF employees assigned to Category A activities;
    2. costs incurred related to the sale of goods and services; and
    3. costs related to the internal management of NAFIs.

2. OPERATIONS OF CATEGORY B (BASIC COMMUNITY SUPPORT) ACTIVITIES. Category B activities are also generally financed with appropriated funds. Nonappropriated funds may be used to supplement appropriated funds and must be used for the following:

    1. costs associated with NAF employees assigned to Category B activities;
    2. costs incurred related to the sale of goods and services;
    3. costs related to the internal management of NAFIs; and
    4. royalty payments for music and theater.

3. OPERATIONS OF CATEGORY C (BUSINESS) ACTIVITIES. Category C activities are generally financed by nonappropriated funds. Appropriated funds may be used only in the following specific instances:

    1. transoceanic and inland transportation of U.S. and foreign goods purchased with APF;
    2. transoceanic movement of NAF purchased goods to and from CONUS sea and aerial ports of debarkation to first destination overseas, including Alaska and Hawaii, and to the first foreign (including Guam) destination for goods stocked and redistributed or procured from Alaska and Hawaii;
    3. transportation of NAF purchased goods in foreign areas where commercial transportation is not available, and in combat zones;
    4. movement of NAF purchased U.S. goods between DOD installations because of base closures or to safeguard goods under emergency conditions, e.g., threat of hostile force or natural disaster;
    5. transportation of NAF purchased goods if authorized for APF purchase;
    6. utilities, including fuel, for activities located overseas including Alaska and Hawaii;
    7. electronic communications in support of command management functions, statistical data gathering, communications with other DOD and Government agencies, overseas including Alaska and Hawaii;
    8. postal services involving official communications within and between Government agencies, persons and private commercial agencies not related to the sale of goods and services;

9. equipment maintenance for NAF purchased equipment, if authorized for purchase with APF where title transfers to the Government;
10. printing and reproduction not related to the sale of merchandise or services or the internal operation of NAFIs;
11. routine grounds maintenance (excluding golf courses);
12. acquisition of surplus/excess Government equipment;
13. rents and leases overseas;
14. architect/engineer services in support of APF construction and in support of NAF construction, provided that no additional personnel authorizations are required;
15. investment equipment in support of food preparation equipment;
16. purchase of real property as approved by Congress; and
17. use of existing facilities.

Until 1 October 1990, military open messes/clubs, temporary lodging facilities, Joint Service Facility (The New Sanno), and recreation rental equipment checkout activities are authorized to use APF to support the following:

1. personnel performing managerial functions, or requiring technical/professional qualifications or those accountable for appropriated funded resources, and the protection of the interest of the Federal Government;
2. use of Government owned vehicles/Government contracted vehicles, for other than to assist in executive control and command supervision;
3. utilities, including fuel, in the continental United States (except temporary lodging facilities, which must use NAF);
4. equipment maintenance for Government owned equipment authorized for or on loan to MWR activities;
5. custodial and janitorial services (except exchanges, which must use NAF);
6. maintenance and repair performed on a recurrent, day-to-day, periodic or scheduled work required to maintain and support activity operations;
7. supplies that are not related to the sale of merchandise or services; and
8. equipment not related to the sale of merchandise or services.

Business activities (Category C) located in extremely remote and isolated areas, as approved by Congress, may be provided appropriated support similar to that authorized for basic community support activities (Category B).

075522 COMMON SUPPORT COSTS

1. GENERAL. Common support consists of services and related goods normally supplied throughout the installation as a mission function. Whether or not costs of common support services are identified as MWR program costs, or must be reimbursed by nonappropriated funds (in the case of Category C activities) depends upon the kind of service, the severability of the cost, and the amount of the cost. Costs associated with essential command and control and with the protection of the health and safety of participants, employees, resources and property are treated differently than are costs for other common services. In general, when costs for provisions of common support are additional, identifiable, and can be segregated on a reasonable and meaningful basis, these costs should be identified as MWR costs. Finally, when the sum of common support services provided by a base or installation commander to an MWR program or activity is less than $500 per year, the cost is generally considered to be uneconomical for billing purposes. Common service support costs less than $500 per year which are not billed to the MWR activity are not considered to be a cost to the MWR activity or program.

2. ESSENTIAL CONTROL AND COMMAND SUPERVISION. Commanding officers have an oversight responsibility for MWR programs. To exercise this responsibility, commanding officers must provide guidance and direction to MWR activities under their purview in the same manner

as for all non-MWR activities under their cognizance. Essential control and command supervision consists of general management functions and includes any assistance in carrying out these functions provided by the commanding officer's staff. Specifically excluded from this definition is the direct operation of MWR programs and activities (e.g., functions performed by the MWR program director and staff). The essential control and command supervision function is inherently the responsibility of the commanding officer. Accordingly, appropriated fund support is authorized for essential control and command supervision, regardless of activity category. Furthermore, this function is not included as a cost of MWR.

3. PROTECTION OF HEALTH AND SAFETY. All MWR activities, regardless of category, are authorized to receive appropriated fund common support associated with protecting the health and safety of participants, employees, resources and property. Such services include, but are not limited to: fire protection (including acquisition and installation of extinguishers and sprinkler and alarm systems); security protection, including physical security of buildings (such as alarm systems and security bars) and protection of funds; pest control; sewage disposal; trash and garbage removal (not authorized for military exchanges in the CONUS); snow removal; safety; medical, veterinary and sanitary inspections; authorized veterinary care; rescue operations; and facility maintenance or repair necessary to maintain the structural integrity and external appearance of the building (includes electrical, mechanical, roofing, foundations, windows, and doors), or to correct fire and safety deficiencies. When these costs are additional, identifiable, and can be segregated on a reasonable and meaningful basis, they should be identified as MWR costs.

4. OTHER COMMON SUPPORT. All MWR activities may utilize other common support services which are normally provided by a base or installation commander and are not directly related to the health and safety of personnel or property. Such common support services typically include, but are not limited to, custodial services, communications, legal services and advice, and technical guidance, administration, and assistance on accounting, financial management, procurement, and civilian personnel. These common support services should be identified as MWR costs, and in the case of Category C activities, NAF must be charged to reimburse the costs.

075523 PERSONNEL COSTS

1. MILITARY PERSONNEL. Military personnel may be utilized by all Category A and B activities on permanent assignment, temporary assignment (no more than 90 days), and for additional and collateral MWR duties. If 25 percent or less of assigned duties are MWR specific, no cost should be allocated to MWR. If more than 25 percent are MWR specific, the costs must be reported as MWR. All costs associated with military personnel, including temporary duty travel must be financed using appropriated funds. Additionally, the use of military personnel is authorized for all MWR categories when essential for the provision of executive control and command supervision and also for the provision of security, when not otherwise available overseas. Active duty military personnel are authorized in sufficient numbers for military exchanges to provide a trained cadre to meet wartime and deployment requirements. Military personnel not performing executive control and essential command supervision will be phased out of MWR business activities by 1 October 1990, unless specifically authorized otherwise by OSD. Those military personnel within 4 years of retirement on 1 October 1988 or completion of an active duty service commitment may be retained until 1 October 1992.

2. CIVIL SERVICE PERSONNEL. Civil service personnel may be utilized on permanent assignment or on an additional or collateral duty basis in Category A and B activities if they are performing managerial functions or if the position requires technical/professional qualifications. Paragraph 075524-6 provides special provisions for child care employees. Personnel accountable for appropriated fund resources and the protection of the interest of

the Federal government should also be civil service employees. Civil service employees may also be engaged in executive control and command supervision (not included as a cost of MWR), regardless of the category of activity. All other personnel at Category B activities and all personnel at Category C activities should be NAF employees. For civil service employees, if 25 percent or less of assigned duties are MWR specific, no cost should be allocated to MWR; if more than 25 percent, the costs must be reported as MWR. All costs associated with civil service personnel should be financed utilizing appropriated funds, regardless of category of activity by which the civilian is employed. These costs include permanent change of station travel, transportation of household goods, temporary duty travel, and education and training.

3. NAFI EMPLOYEES. Costs related to NAFI employees must be paid for utilizing nonappropriated funds, regardless of the category of activity to which the employee is assigned. These costs include permanent change of station travel and transportation of household goods. Travel of NAFI employees that is associated with appropriated funded programs may be charged to appropriated funds. Personnel directly and primarily involved in resale must be NAFI employees.

075524 SPECIAL SITUATIONS

1. RESALE ACTIVITY LIMITATION. MWR activities often engage in the purchase and resale of goods and services to provide specific benefits to the MWR audience. Resale activities, except those required by statute to sell at cost, should be self-sustaining in terms of operating expenses for civilian employees, purchase of operating equipment, stock, supplies, transportation, utilities, printing and reproduction, and interior maintenance (other than shipboard) of space occupied and of equipment used. Personnel directly and primarily involved in resale must be NAF employees.

2. ARMED SERVICES EXCHANGES AND RELATED ACTIVITIES. Although the exchanges have a high degree of mission essentiality, they have been placed in Category C because of their significant ability to generate revenue. In general, exchanges must be completely self sustaining. Civil service personnel may not be assigned to exchanges. However, active duty military personnel are authorized in sufficient numbers for military exchanges to provide a trained cadre to meet wartime and deployment requirements, and for provision of security, when not otherwise available overseas. Custodial and janitorial services must be provided using NAF. Costs incurred by military exchanges in managing, distributing, selling and after-sale servicing of military clothing and other appropriated funded items are reimbursable from appropriated funds.

3. PRIVATE OWNERSHIP. Privately owned items may not receive financial support from either appropriated or nonappropriated funds. Private ownership support includes that provided to privately owned recreational vehicles, boats, aircraft, or horses that are operated, maintained, moored, or stabled by MWR activities. Such support will be provided on a reimbursable basis only.

4. REIMBURSEMENTS. As of 1 October 1990, appropriated funds may not be used to reimburse a NAFI. This does not preclude an APF entity (e.g., public works) from contracting the NAFI for services, functions, or goods that the NAFI is in a unique position to provide (e.g., catering an official event).

5. ACTIVITIES OPERATING UNDER INDUSTRIAL FUND PROCEDURES. MWR activities frequently receive services from DON commercial type facilities, primarily for common support services. Work or services performed for MWR activities are not operating costs to the industrial/commercial activities which perform the work, or provide the service. Such work or services may be initally financed by the industrial fund subject to reimbursement from appropriated or nonappropriated funds, as applicable.

6. CHILD CARE. Naval facilities may be used for military and civilian child care centers and

administrative offices for dependent care programs. For military child care programs, appropriated funds are also authorized for child development center directors, assistant directors, supervisory staff, administrative clerks, and for monitoring programs to ensure child safety and quality care in Government facilities, and to guard against potential Government liability. Generally, costs directly related to the care of dependents, including caregiver wages, may be paid from appropriated or nonappropriated funds. APF support for other than center based care (e.g., family day care/home referral services) will be considered family support costs and will not be budgeted, accounted for, or reported as MWR costs.

7. AUDITING SERVICES. Auditing services include the independent examination, review, and evaluation of the records, controls, practices, and procedures in the area of financial and operational management of an MWR activity. In general, routine, periodic audits or reviews conducted to satisfy MWR program requirements are considered a cost of conducting business. For Category C activities, NAF must be utilized. For Category A and B activities, either APF or NAF may be used. Audits and reviews to satisfy emergent command requirements to protect against waste, fraud and abuse are responsibilities of executive command and control and APF may be used for this purpose at all MWR activities. Audits and inspections performed by the Naval Audit Service and the Inspector General of the Navy as part of their Departmental function are, by definition, not considered a cost to the MWR program.

8. SUPPLEMENTAL MISSION FUNDS. Supplemental mission NAFIs provide a mechanism for collecting and utilizing nonappropriated funds in areas such as military museums, in-flight services and billeting or housing. These NAFIs, while subject to the same rules of operation as MWR NAFIs, are separate and distinct from NAFIs associated with the MWR program. Aligned with Category C MWR activities, supplemental mission services NAFIs are entitled to limited appropriated fund support. This support, however, is not considered a cost to MWR.

Section III: BUDGET POLICY FOR CONSTRUCTION

075530 GENERAL

MWR facilities should be constructed using a single source of funds, either nonappropriated funds (NAF) or appropriated funds (APF), following guidance provided in the Conference Report on the DOD Military Construction Authorization Bill for Fiscal Year 1980 (Public Law 96-125). This policy also applies to the funding of minor and major construction following guidance contained in the National Defense Authorization Act for Fiscal Year 1987, Report of the Committee on Armed Services, U.S. House of Representatives (Report 99-718). It is recognized that from time to time unique situations or exigencies that need immediate or more specific attention may require deviation or exception to the basic funding policy. Requests for deviations or exceptions should be forwarded via the chain of command to the Comptroller of the Navy (NAVCOMPT) and Assistant Secretary of the Navy (Research, Development, and Acquisition) (ASN(RDA)).

075531 USE OF APPROPRIATED FUNDS

1. GENERAL. Appropriated funds (APF) may be used for all MWR construction related to the establishment, activation, or expansion of a military installation or relocation of facilities for convenience of the Government; to correct life safety deficiencies; to maintain structural integrity; and,

with prior approval by the Comptroller of the Navy (NAVCOMPT), for replacement of facilities denied by country-to-country agreements and for restoration of facilities destroyed by acts of God, fire, or terrorism. In the case of installation "expansion," a major increase in authorized and assigned personnel strength over a short period of time is necessary before appropriated fund construction can be programmed. Such expansion must be the result of a mission change or influx of new units or systems. Personnel increases resulting from an evolutionary expansion occurring over several years do not satisfy these criteria. APF construction is bound by the policies covered in discussions of military construction elsewhere in this Manual.

2. MILITARY CONSTRUCTION. Military construction applies to the erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; or the relocation of a facility from one place to another. Construction includes acquisition of land, facilities, and other fixed improvements, and equipment installed in, and made part of, such facilities and related site preparation, excavation, filling, and landscaping or other land improvements.

3. MINOR CONSTRUCTION. Includes associated architectural and engineering services and applies to erection, addition, expansion, alteration, conversion or replacement of an existing facility; the relocation of a facility, provided that the cost of such construction does not exceed the limits of minor construction, as enumerated in par. 075386. (As noted above, with prior approval of NAVCOMPT, APF is authorized for all categories for restoration of facilities destroyed by acts of God, fire, or terrorism.) Policies expressed in this Section apply equally to minor construction projects.

4. TYPE OF FUNDS TO USE FOR MWR CATEGORIES

a. Category A: Mission Sustaining Activities. Appropriated funds should be used for all construction projects in support of Category A activities or programs.

b. Category B: Basic Community Support Activities. Child development centers and overseas youth centers, including courts and playing fields may utilize appropriated funds for construction projects. All other activities and programs in Category B should utilize nonappropriated funds for construction.

c. Category C: Business Activities. Generally, business activities must utilize nonappropriated funds for construction. Exceptions include exchange facilities required in areas of military conflict, or constructed in conjunction with an appropriated funded military construction project, such as an air terminal, hospital, housing or other construction project; exchange logistical facilities outside the United States and all storage and maintenance facilities, laundry and dry cleaning plants, bakeries, dairies, and similar facilities operated by an exchange in support of the military mission; and military clubs or consolidated open messes located outside of the CONUS.

APPENDIX A: DEPARTMENT OF DEFENSE APPROPRIATIONS ACT FOR FY 1988
PUBLIC LAW 100-202

TITLE VIII: GENERAL PROVISIONS

Sec. 8001	Consulting services
Sec. 8002	Publicity/propaganda
Sec. 8003	Experts/consultants; employment of
Sec. 8004	Foreign nationals; employment of
Sec. 8005	Small and minority-owned businesses; assistance to
Sec. 8006	Obligation of appropriations
Sec. 8007	Proficiency flying
Sec. 8008	Household goods/personal effects
Sec. 8009	20% obligation limitation during last 2 months of fiscal year
Sec. 8010	Real property/services from foreign countries
Sec. 8011	Food/cloth/metal procurement
Sec. 8012	Civilian uniform allowance
Sec. 8013	Legislative liaison activities
Sec. 8014	Military Airlift Command
Sec. 8015	Working capital fund transfers
Sec. 8016	Working capital fund cash disbursements
Sec. 8017	Heating plant conversion in Europe
Sec. 8018	Special Access Programs
Sec. 8019	Reprogramming of funds
Sec. 8020	CHAMPUS customary charges
Sec. 8021	Public affairs activities
Sec. 8022	Special Defense Acquisition Fund/miscellaneous receipts
Sec. 8023	Senior ROTC units
Sec. 8024	CIA programs
Sec. 8025	Morale, Welfare, and Recreation activities
Sec. 8026	Obligations incurred in anticipation of appropriations
Sec. 8027	Compensation claims to Federal Republic of Germany
Sec. 8028	Contracts to recover indebtedness
Sec. 8029	Contracts entered into without competition
Sec. 8030	Medical care for foreign military and diplomatic personnel
Sec. 8031	Second career training program
Sec. 8032	Demilitarization of surplus nonautomatic firearms
Sec. 8033	Multiyear procurement contracts
Sec. 8034	Per diem travel allowance for enlisted personnel
Sec. 8035	Waiver of FMS costs
Sec. 8036	Military equipment/technical data transfer to foreign countries
Sec. 8037	Intelligence/special activities
Sec. 8038	Coal/coke from foreign nations
Sec. 8039	Executive schedule positions
Sec. 8040	Military forces in Alaska
Sec. 8041	Civilian/military technicians
Sec. 8042	Report on overseas expenditures
Sec. 8043	Civilian personnel ceilings

Sec. 8044	Civilian work year totals outside the United States
Sec. 8045	Transfers for increased RDT&E pay costs
Sec. 8046	Contracts awarded in States with high unemployment
Sec. 8047	Housing allowance for uniformed services
Sec. 8048	Rescissions
Sec. 8049	Working capital fund transfers
Sec. 8050	Lease of aircraft/vehicles to non-Federal agencies
Sec. 8051	Lobbying
Sec. 8052	Lease/charter of vessels/aircraft/vehicles
Sec. 8053	Commissary operation
Sec. 8054	Aircraft ejection seats
Sec. 8055	Army Reserve
Sec. 8056	Dogs/cats for surgical/medical training
Sec. 8057	Full-scale engineering developing
Sec. 8058	Floating storage of petroleum/petroleum products
Sec. 8059	Unemployment compensation benefits
Sec. 8060	Civil Air Patrol
Sec. 8061	Feral burro/horse removal
Sec. 8062	Foreign selling costs
Sec. 8063	Humanitarian/civic assistance
Sec. 8064	Active status for Army/Air Force Reserve officers
Sec. 8065	Competition in the provision of national defense
Sec. 8066	Dislocation allowance
Sec. 8067	Contracting out activities provided by Defense Personnel Support Center
Sec. 8068	Health and Medical care demonstration projects
Sec. 8069	DOD Education Benefits Fund
Sec. 8070	Chesapeake Bay
Sec. 8071	Home health care to dependents
Sec. 8072	Educational assistance for officers in Army Ready Reserve
Sec. 8073	Flat rate per diem system
Sec. 8074	Contracting out DOD functions
Sec. 8075	ADP transfers
Sec. 8076	Mapping/charting/geodetic data for foreign countries
Sec. 8077	120 mm mortars/ammunition manufactured outside U.S.
Sec. 8078	Unsafe building debris removal
Sec. 8079	Funds for under section 430 of title 37, United States Code
Sec. 8080	Organotin paint
Sec. 8081	Alcoholic beverages
Sec. 8082	DLA productivity incentive awards
Sec. 8083	Depot maintenance of equipment, Army
Sec. 8084	Overseas fuel procurement
Sec. 8085	Machine tools procurement
Sec. 8086	Automated information systems
Sec. 8087	Hospital contributions
Sec. 8088	PAN procurement
Sec 8089	Morale, Welfare, and Recreation
Sec. 8090	Land conveyance, Navy
Sec. 8091	Copperhead/five-inch guided projectiles
Sec. 8092	Payment date for military pay allowances
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Sec. 8094	Transfer of unobligated/deobligated appropriations to the CIA
Sec. 8095	Construction of CIA
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Sec. 8097	CHAMPUS demonstration
Sec. 8098	Clean product tankers charter
Sec. 8099	Bicentennial activities expenses
Sec. 8100	Contract for trucks
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Sec. 8104	CHAMPUS reform initiative
Sec. 8105	Funds used by Defense Logistics Agency
Sec. 8106	O&M,A support of Pan American Games
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Sec. 8108	DOD Education Benefits Fund
Sec. 8109	Repair and replacement of materials destroyed by fire
Sec. 8110	Basic pay for full time students, Army
Sec. 8111	Use of military personnel appropriations
Sec. 8112	Army Engineer's Waterways Experiment
Sec. 8113	Conversion of Steam generating plants
Sec. 8114	Use of the terms "program, project, and activity"
Sec. 8115	Army appropriated funds for the Reserve Component Automation System
Sec. 8116	Strategic Defense Initiative (SDI)
Sec. 8117	RDT&E, Army, testing of MF2E4 Weapon Types
Sec. 8118	Fixed price-type contracts in excess of $10,000,000.
Sec. 8119	Passenger motor vehicles
Sec. 8120	Classified military project construction
Sec. 8121	Naval Air Rework Facilities production contracts
Sec. 8122	Personnel reductions to the Defense Intelligence Agency
Sec. 8123	Wage rates for health care occupations employees
Sec. 8124	Procurement from Toshiba Corporation and Kongsberg Vapenfabrikk
Sec. 8125	Procurement of welded shipboard anchor chains outside U.S.
Sec. 8126	Conversion of heating plants at defense facilities in Europe
Sec. 8127	DOD health care/diagnosis related regulations
Sec. 8128	Contracting for reservoir area in Mississippi
Sec. 8129	Use of Commissaries and exchanges to buy or sell Toshiba products
Sec. 8130	Transfer of funds for Air Force appropriations
Sec. 8131	Air Force trainer Engine (F109)
Sec. 8132	Transfer of prior year unobligated balances and funds
Sec. 8133	Procurement of replacement aircraft
Sec. 8134	Funding for the SDI/SBI
Sec. 8135	Sections 4,431 and 634 of the 1988 and 1989 National Defense Authorization Act are hereby repealed.
Sec. 8136	Availability of funds to the United States Coast Guard.
Sec. 8137	Funding for the Ready Reserve Fleet
Sec. 8138	Nuclear aircraft carrier U.S.S. John C. Stennis
Sec. 8139	Military/Civilian pay raise
Sec. 8140	Maintenance of Naval vessels on the West Coast
Sec. 8141	Maintenance of Naval vessels in foreign countries
Sec. 8142	Amendments to the Arms Export Control Act
Sec. 8143	Amendments to the Foreign Assistance Act
Sec. 8144	Assistance to Nicaraguan democratic resistance

TITLE VIII

GENERAL PROVISIONS

Sec. 8001. The expenditure of any appropriation under this Act for any consulting service through procurement contract, pursuant to section 3109 of title 5, United States Code, shall be limited to those contracts where such expenditures are a matter of public record and available for public inspection, except where otherwise provided under existing law, or under existing Executive order issued pursuant to existing law.

Sec. 8002. No part of any appropriation contained in this Act shall be used for publicity or propaganda purposes not authorized by the Congress.

Sec. 8003. During the current fiscal year, the Secretary of Defense and the Secretaries of the Army, Navy, and Air Force, respectively, if they should deem it advantageous to the national defense, and if in their opinions the existing facilities of the Department of Defense are inadequate, are authorized to procure services in accordance with section 3109 of title 5, United States Code, under regulations prescribed by the Secretary of Defense, and to pay in connection therewith travel expenses of individuals, including actual transportation and per diem in lieu of subsistence while traveling from their homes or places of business to official duty stations and return as may be authorized by law: Provided, That such contracts may be renewed annually.

Sec. 8004. During the current fiscal year, provisions of law prohibiting the payment of compensation to, or employment of, any person not a citizen of the United States shall not apply to personnel of the Department of Defense.

Sec. 8005. The Secretary of Defense and each purchasing and contracting agency of the Department of Defense shall assist American small and minority-owned business to participate equitably in the furnishing of commodities and services financed with funds appropriated under this Act by increasing, to an optimum level, the resources and number of personnel jointly assigned to promoting both small and minority business involvement in purchases financed with funds appropriated herein, and by making available or causing to be made available to such businesses, information, as far in advance as possible, with respect to purchases proposed to be financed with funds appropriated under this Act, and by assisting small and minority business concerns to participate equitably as subcontractors on contracts financed with funds appropriated herein, and by otherwise advocating and providing small and minority business opportunities to participate in the furnishing of commodities and services financed with funds appropriated by this Act.

Sec. 8006. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year, unless expressly so provided herein.

Sec. 8007. No part of the appropriations in this Act shall be available for any expense of operating aircraft under the jurisdiction of the armed forces for the purpose of proficiency flying, as defined in Department of Defense Directive 1340.4, except in accordance with regulations prescribed by the Secretary of Defense. Such regulations (1) may not require such flying except that required to maintain proficiency in anticipation of a member's assignment to combat operations and (2) such flying may not be permitted in cases of members who have been assigned to a course of instruction of ninety days or more.

Sec. 8008. No part of any appropriation contained in this Act shall be available for expense of transportation, packing, crating, temporary storage, drayage, and unpacking of household goods and personal effects in any one shipment having a net weight in excess of eighteen thousand pounds.

Sec. 8009. No more than 20 per centum of the appropriations in this Act which are limited for obligation during the current fiscal year shall be obligated during the last two months of the fiscal year: Provided, That this section shall not apply to obligations for support of active duty training of civilian components or summer camp training of the Reserve Officers' Training Corps, or the National Board for the Promotion of Rifle Practice, Army, or to the appropriations provided in this Act for Claims, Defense.

Sec. 8010. During the current fiscal year, the agencies of the Department of Defense may accept the use of real property from foreign countries for the United States in accordance with mutual defense agreements or occupational arrangements and may accept services furnished by foreign countries as reciprocal international courtesies or as services customarily made available without charge; and such agencies may use the same for the support of the United States forces in such areas without specific appropriation therefor.

In addition to the foregoing, agencies of the Department of Defense may accept real property, services, and commodities from foreign countries for the use of the United States in accordance with mutual defense agreements or occupational arrangements and such agencies may use the same for the support of the United States forces in such areas, without specific appropriations therefor: Provided, That except as provided in 10 U.S.C. 2690, the foregoing authority shall not be available for the conversion of heating plants from coal to oil or coal to natural gas at defense facilities in Europe: Provided further, That within thirty days after the end of each quarter the Secretary of Defense shall render to Congress and to the Office of Management and Budget a full report of such property, supplies, and commodities received during such quarter.

SEC. 8011. No part of any appropriation contained in this Act, except for small purchases in amounts not exceeding $10,000 shall be available for the procurement of any article or item of food, clothing, tents, tarpaulins, covers, cotton and other natural fiber products, woven silk or woven silk blends, spun silk yarn for cartridge cloth, synthetic fabric or coated synthetic fabric, canvas products, or wool (whether in the form of fiber or yarn or contained in fabrics, materials, or manufactured articles), or any item of individual equipment manufactured from or containing such fibers, yarns, fabrics, or materials, or specialty metals including stainless steel flatware, or hand or measuring tools, not grown, reprocessed, reused, or produced in the United States or its possessions, except to the extent that the Secretary of the Department concerned shall determine that satisfactory quality and sufficient quantity of any articles or items of food, individual equipment, tents, tarpaulins, covers, or clothing or any form of cotton or other natural fiber products, woven silk and woven silk blends, spun silk yarn for cartridge cloth, synthetic fabric or coated synthetic fabric, canvas products, wool, or specialty metals including stainless steel flatware, grown, reprocessed, reused, or produced in the United States or its possessions cannot be procured as and when needed at United States market prices and except procurements outside the United States in support of combat operations, procurements by vessels in foreign waters, and emergency procurements or procurements of perishable foods by establishments located outside the United States for the personnel attached thereto: Provided, That nothing herein shall preclude the procurement of specialty metals or chemical warfare protective clothing produced outside the United States or its possessions when such procurement is necessary to comply with agreements with foreign governments requiring the United States to purchase supplies from foreign sources for the purposes of offsetting sales made by the United States Government or United States firms under approved programs serving defense requirements or where such procurement is necessary in furtherance of the standardization and interoperability of equipment requirements within NATO so long as such agreements with foreign governments comply, where applicable, with the requirements of section 36 of the Arms Export Control Act and with section 2457 of title 10, United States Code: Provided further, That nothing herein shall preclude the procurement of foods manufactured or processed in the United States or its possessions: Provided further, That no funds herein appropriated shall be used for the *payment of a price differential on contracts hereafter made for the purpose of relieving economic dislocations: Provided further, That none of the funds appropriated in this Act shall be used except that, so far as practicable, all contracts shall be awarded on a formally advertised competitive bid basis to the lowest responsible bidder.*

SEC. *8012. During the current fiscal year, appropriations available to the Department of Defense for pay of civilian employees shall be available for uniforms, or allowances therefor, as authorized by section 5901 of title 5, United States Code.*

SEC. *8013. Funds provided in this Act for legislative liaison activities of the Department of the Army, the Department of the Navy, the Department of the Air Force, and the Office of the Secretary of Defense shall not exceed $14,362,000 for the current fiscal year: Provided, That this amount shall be available for apportionment to the Department of the Army, the Department of the Navy, the Department of the Air Force, and the Office of the Secretary of Defense as determined by the Secretary of Defense: Provided further, That costs for military retired pay accrual shall be included within this limitation.*

SEC. *8014. Of the funds made available by this Act for the services of the Military Airlift Command, $100,000,000 shall be available only for procurement of commercial transportation service from carriers participating in the civil reserve air fleet program; and the Secretary of Defense shall utilize the services of such carriers which qualify as small businesses to the fullest extent found practicable: Provided, That the Secretary of Defense shall specify in such procurement, performance characteristics for aircraft to be used based upon modern aircraft operated by the civil reserve air fleet.*

(TRANSFER OF FUNDS)

SEC. *8015. Upon determination by the Secretary of Defense that such action is necessary in the national interest, he may, with the approval of the Office of Management and Budget, transfer not to exceed $1,500,000,000 of working capital funds of the Department of Defense or funds made available in this Act to the Department of Defense for military functions (except military construction) between such appropriations or funds or any subdivision thereof, to be merged with and to be available for the same purposes, and for the same time period, as the appropriation or fund to which transferred: Provided, That such authority to transfer may not be used unless for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which funds are requested has been denied by Congress: Provided further, That the Secretary of Defense shall notify the Congress promptly of all transfers made pursuant to this authority.*

(TRANSFER OF FUNDS)

SEC. *8016. During the current fiscal year, cash balances in working capital funds of the Department of Defense established pursuant to section 2208 of title 10, United States Code, may be maintained in only such amounts as are necessary at any time for cash disbursements to be made from such funds: Provided, That transfers may be made between such funds in such amounts as may be determined by* *the Secretary of Defense, with the approval of the Office of Management and Budget, except that transfers between a stock fund account and an industrial fund account may not be made unless the Secretary of Defense has notified the Congress of the proposed transfer. Except in amounts equal to the amounts appropriated to working capital funds in this Act, no obligations may be made against a working capital fund to procure war reserve material inventory, unless the Secretary of Defense has notified the Congress prior to any such obligation.*

SEC. 8017. Except as provided in 10 U.S.C. 2690, none of the funds available to the Department of Defense shall be utilized for the conversion of heating plants from coal to oil or coal to natural gas at defense facilities in Europe.

SEC. 8018. Funds appropriated by this Act may not be used to initiate a special access program without prior notification 30 days in advance to the Committees on Appropriations and Armed Services of the Senate and House of Representatives.

SEC. 8019. No part of the funds in this Act shall be available to prepare or present a request to the Committees on Appropriations for reprogramming of funds, unless for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which reprogramming is requested has been denied by the Congress.

SEC. 8020. None of the funds contained in this Act available for the Civilian Health and Medical Program of the Uniformed Services under the provisions for section 1079(a) of title 10, United States Code, shall be available for reimbursement of any physician or other authorized individual provider of medical care in excess of the eightieth percentile of the customary charges made for similar services in the same locality where the medical care was furnished, as determined for physicians in accordance with section 1079(h) of title 10, United States Code.

SEC. 8021. No appropriation contained in this Act may be used to pay for the cost of public affairs activities of the Department of Defense in excess of $46,951,000: Provided, That costs for military retired pay accrual shall be included within this limitation.

SEC. 8022. None of the funds provided in this Act shall be available for the planning or execution of programs which utilize amounts credited to Department of Defense appropriations or funds pursuant to the provisions of section 37(a) of the Arms Export Control Act representing payment for the actual value of defense articles specified in section 21(a)(1)(A) of that Act: Provided, That such amounts shall be credited to the Special Defense Acquisition Fund, as authorized by law, or, to the extent not so credited shall be deposited in the Treasury as miscellaneous receipts as provided in section 3302(b) of title 31, United States Code.

SEC. 8023. No appropriation contained in this Act shall be available to fund any costs of a Senior Reserve Officers' Training Corps unit—except to complete training of personnel enrolled in Military Science 4—which in its junior year class (Military Science 3) has for the four preceding academic years, and as of September 30, 1983, enrolled less than (a) seventeen students where the institution prescribes a four-year or a combination four- and two-year program; or (b) twelve students where the institution prescribes a two-year pro-

gram: Provided, That, notwithstanding the foregoing limitation, funds shall be available to maintain one Senior Reserve Officers' Training Corps unit in each State and at each State-operated maritime academy: Provided further, That units under the consortium system shall be considered as a single unit for purposes of evaluation of productivity under this provision: Provided further, That enrollment standards contained in Department of Defense Directive 1215.8 for Senior Reserve Officers' Training Corps units, as revised during fiscal year 1981, may be used to determine compliance with this provision, in lieu of the standards cited above.

SEC. 8024. None of the funds appropriated by this Act for programs of the Central Intelligence Agency shall remain available for obligation beyond the current fiscal year, except for funds appropriated for the Reserve for Contingencies, which shall remain available until September 30, 1989.

SEC. 8025. None of the funds appropriated by this Act may be used to support more than 9,901 full-time and 2,603 part-time military personnel assigned to or used in the support of Morale, Welfare, and Recreation activities as described in Department of Defense Instruction 7000.12 and its enclosures, dated September 4, 1980.

SEC. 8026. All obligations incurred in anticipation of the appropriations and authority provided in this Act are hereby ratified and confirmed if otherwise in accordance with the provisions of this Act.

SEC. 8027. None of the funds appropriated by this Act or heretofore appropriated by any other Act shall be obligated or expended for the payment of anticipatory possession compensation claims to the Federal Republic of Germany other than claims listed in the 1973 agreement (commonly referred to as the Global Agreement) between the United States and the Federal Republic of Germany.

SEC. 8028. During the current fiscal year, the Department of Defense may enter into contracts to recover indebtedness to the United States pursuant to section 3718 of title 31, United States Code.

SEC. 8029. None of the funds appropriated by this Act shall be available for a contract for studies, analyses, or consulting services entered into without competition on the basis of an unsolicited proposal unless the head of the activity responsible for the procurement determines:

(a) as a result of thorough technical evaluation, only one source is found fully qualified to perform the proposed work, or

(b) the purpose of the contract is to explore an unsolicited proposal which offers significant scientific or technological promise, represents the product of original thinking, and was submitted in confidence by one source, or

(c) where the purpose of the contract is to take advantage of unique and significant industrial accomplishment by a specific concern, or to insure that a new product or idea of a specific concern is given financial support:

Provided, That this limitation shall not apply to contracts in an amount of less than $25,000, contracts related to improvements of equipment that is in development or production, or contracts as to which a civilian official of the Department of Defense, who has been confirmed by the Senate, determines that the award of such contract is in the interest of the national defense.

Sec. 8030. None of the funds appropriated by this Act shall be available to provide medical care in the United States on an inpatient basis to foreign military and diplomatic personnel or their dependents unless the Department of Defense is reimbursed for the costs of providing such care: Provided, That reimbursements for medical care covered by this section shall be credited to the appropriations against which charges have been made for providing such care, except that inpatient medical care may be provided in the United States without cost to military personnel and their dependents from a foreign country if comparable care is made available to a comparable number of United States military personnel in that foreign country.

Sec. 8031. None of the funds appropriated by this Act shall be obligated for the second career training program authorized by Public Law 96–347.

Sec. 8032. None of the funds appropriated or otherwise made available in this Act shall be obligated or expended for salaries or expenses during the current fiscal year for the purposes of demilitarization of surplus nonautomatic firearms less than .50 caliber.

Sec. 8033. None of the funds provided in this Act shall be available to initiate (1) a multiyear contract that employs economic order quantity procurement in excess of $20,000,000 in any one year of the contract or that includes an unfunded contingent liability in excess of $20,000,000, or (2) a contract for advance procurement leading to a multiyear contract that employs economic order quantity procurement in excess of $20,000,000 in any one year, unless the Committees on Appropriations and Armed Services of the Senate and House of Representatives have been notified at least thirty days in advance of the proposed contract award: Provided, That no part of any appropriation contained in this Act shall be available to initiate a multiyear contract for which the economic order quantity advance procurement is not funded at least to the limits of the Government's liability: Provided further, That no part of any appropriation contained in this Act shall be available to initiate multiyear procurement contracts for any systems or component thereof if the value of the multiyear contract would exceed $500,000,000 unless specifically provided in this Act: Provided further, That no multiyear procurement contract can be terminated without 10 day prior notification to the Committees on Appropriations and Armed Services of the House of Representatives and the Senate: Provided further, That the execution of multiyear authority shall require the use of a present value analysis to determine lowest cost compared to an annual procurement. Funds appropriated in title III of this Act may be used for multiyear procurement contracts as follows:

HEMTT (for two years);

High mobility multipurpose wheeled vehicle;

HAWK missile system;

TOW II missile system: Provided, That a multiyear procurement contract shall not be awarded for TOW II until the Secretary of Defense has certified to the Congress that a multiyear procurement will be more economical than a second source acquisition.

Sec. 8034. None of the funds appropriated by this Act which are available for payment of travel allowances for per diem in lieu of *subsistence to enlisted personnel shall be used to pay such an allowance to any enlisted member in an amount that is more than the amount of per diem in lieu of subsistence that the enlisted member is otherwise entitled to receive minus the basic allowance for subsistence, or pro rata portion of such allowance, that the enlisted member is entitled to receive during any day, or portion of a day, that the enlisted member is also entitled to be paid a per diem in lieu of subsistence.*

Sec. 8035. None of the funds appropriated by this Act shall be available to approve a request for waiver of the costs otherwise required to be recovered under the provisions of section 21(e)(1)(C) of the Arms Export Control Act unless the Committees on Appropriations have been notified in advance of the proposed waiver.

Sec. 8036. None of the funds in this Act may be used to transfer any article of military equipment or data related to the manufacture of such equipment to a foreign country prior to the approval in writing of such transfer by the Secretary of the military service involved.

(TRANSFER OF FUNDS)

Sec. 8037. None of the funds appropriated in this Act may be made available through transfer, reprogramming, or other means between the Central Intelligence Agency and the Department of Defense for any intelligence or special activity different from that previously justified to the Congress unless the Director of Central Intelligence or the Secretary of Defense has notified the House and Senate Appropriations Committees of the intent to make such funds available for such activity.

Sec. 8038. None of the funds available to the Department of Defense during the current fiscal year shall be used by the Secretary of a military department to purchase coal or coke from foreign nations for use at United States defense facilities in Europe when coal from the United States is available.

Sec. 8039. None of the funds appropriated by this Act may be used to appoint or compensate more than 39 individuals in the Department of Defense in positions in the Executive Schedule (as provided in sections 5312–5316 of title 5, United States Code).

Sec. 8040. Notwithstanding section 213(b) of the Joint Chiefs of Staff Reorganization Act of 1985 or any other provision of law, none of the funds in this or any other Act may be used to alter the command structure for military forces in Alaska.

Sec. 8041. None of the funds appropriated by this Act shall be available to convert a position in support of the Army Reserve, Air Force Reserve, Army National Guard, and Air National Guard occupied by, or programmed to be occupied by, a (civilian) military technician to a position to be held by a person in an active Guard or Reserve status if that conversion would reduce the total number of positions occupied by, or programmed to be occupied by, (civilian) military technicians of the component concerned, below 69,935: Provided, That none of the funds appropriated by this Act shall be available to support more than 46,890 positions in support of the Army Reserve, Army National Guard or Air National Guard occupied by, or programmed to be occupied by, persons in an active

Guard or Reserve status: Provided further, That none of the funds appropriated by this Act may be used to include (civilian) military technicians in computing civilian personnel ceilings, including statutory or administratively imposed ceilings, on activities in support of the Army Reserve, Air Force Reserve, Army National Guard or Air National Guard.

SEC. 8042. No later than April 8, 1988, and not later than April 8 of each year thereafter, the Secretary of Defense, in consultation with the Secretary of Commerce, shall submit to the Committees on Appropriations of the Senate and House of Representatives, a report detailing: (a) the full cost of stationing United States troops overseas, including costs incurred in the United States and overseas in connection with such stationing, (b) the overseas costs incurred in connection with operating, maintaining, and supporting United States troops overseas, including direct and indirect expenditures of United States funds in connection with such stationing, and (c) the effect of such overseas expenditures on the United States' balance-of-payments.

SEC. 8043. (a) The provisions of section 115(b)(2) of title 10, United States Code, shall not apply with respect to fiscal year 1988 or with respect to the appropriation of funds for that year.

(b) During fiscal year 1988, the civilian personnel of the Department of Defense may not be managed on the basis of any end-strength, and the management of such personnel during that fiscal year shall not be subject to any constraint or limitation (known as an end-strength) on the number of such personnel who may be employed on the last day of such fiscal year.

SEC. 8044. Notwithstanding any other provision of law, none of the funds made available by this Act shall be used by the Department to exceed, outside the fifty States of the United States and the District of Columbia, 188,496 civilian workyears: Provided, That workyears shall be applied as defined in the Federal Personnel Manual Supplement 298-2, Book IV: Provided further, That workyears expended in dependent summer hiring programs or hiring programs for disadvantaged youth shall not be included in this workyear limitation.

(TRANSFER OF FUNDS)

SEC. 8045. Appropriations during the current fiscal year may be transferred to appropriations provided in this Act for research, development, test, and evaluation to the extent necessary to meet increased pay costs authorized by or pursuant to law, to be merged with and to be available for the same purposes, and the same time period, as the appropriation to which transferred.

SEC. 8046. Notwithstanding any other provision of law, each contract awarded by the Department of Defense in fiscal year 1988 for construction or services performed in whole or in part in a State which is not contiguous with another State and has an unemployment rate in excess of the national average rate of unemployment as determined by the Secretary of Labor shall include a provision requiring the contractor to employ, for the purpose of performing that portion of the contract in such State that is not contiguous with another State, individuals who are residents of such State and who, in *the case of any craft or trade, possess or would be able to acquire promptly the necessary skills: Provided, That the Secretary of Defense may waive the requirements of this section in the interest of national security.*

SEC. 8047. None of the funds appropriated by this or any other Act for fiscal year 1988 shall be available to pay the variable housing allowance authorized members of the uniformed services under section 403a of title 37, United States Code, in a total amount in excess of $1,115,261,000 or the amount computed for the current fiscal year under section 403a(d) of such title, whichever is less: Provided, That any reduction in the rates of the variable housing allowance necessitated by the foregoing limitation shall be made as provided in section 403a of title 37, United States Code.

(RESCISSIONS)

SEC. 8048. (a) The following funds are hereby rescinded from the following accounts in the specified amounts:
Aircraft procurement, Army, 1986/1988, $32,000,000;
Aircraft procurement, Army, 1987/1989, $29,200,000;
Missile procurement, Army, 1986/1988, $25,100,000;
Missile procurement, Army, 1987/1989, $34,100,000;
Procurement of weapons and tracked combat vehicles, Army, 1986/1988, $41,700,000;
Procurement of weapons and tracked combat vehicles, Army, 1987/1989, $72,000,000;
Procurement of ammunition, Army, 1987/1989, $7,200,000;
Other procurement, Army, 1986/1988, $41,300,000;
Other procurement, Army, 1987/1989, $65,593,000;
Aircraft procurement, Navy, 1986/1988, $156,400,000;
Aircraft procurement, Navy, 1987/1989, $261,900,000;
Weapons procurement, Navy, 1986/1988, $161,200,000;
Weapons procurement, Navy, 1987/1989, $227,800,000;
Shipbuilding and conversion, Navy, 1984/1988, $134,100,000;
Shipbuilding and conversion, Navy, 1985/1989, $94,600,000;
Shipbuilding and conversion, Navy, 1986/1990, $20,000,000;
Shipbuilding and conversion, Navy, 1987/1991, $155,600,000;
Other procurement, Navy, 1986/1988, $32,361,000;
Other procurement, Navy, 1987/1989, $225,614,000;
Procurement, Marine Corps, 1986/1988, $47,600,000;
Procurement, Marine Corps, 1987/1989, $15,000,000;
Aircraft procurement, Air Force, 1986/1988, $278,521,000;
Aircraft procurement, Air Force, 1987/1989, $659,600,000;
Missile procurement, Air Force, 1985/1989, $40,100,000;
Missile procurement, Air Force, 1986/1988, $122,446,000;
Missile procurement, Air Force, 1987/1989, $11,500,000;
Other procurement, Air Force, 1986/1988, $58,200,000;
Procurement, Defense Agencies, 1986/1988, $31,000,000;
Procurement, Defense Agencies, 1987/1989, $75,000,000;
National Guard and Reserve Equipment, 1986/1988, $17,900,000;
Research, development, test, and evaluation, Army, 1987/1988, $14,000,000;
Research, development, test, and evaluation, Navy, 1987/1988, $67,495,000;

Research, development, test, and evaluation, Air Force, 1987/1988, $266,000,000;

Research, development, test, and evaluation, Defense Agencies, 1987/1988, $8,900,000;

(b) Section 1305 of Public Law 99-661 is amended in subsection (b) by striking "that are enacted before December 31, 1986" and inserting in lieu thereof "and/or fiscal year 1988".

(TRANSFER OF FUNDS)

SEC. 8049. In addition to any other transfer authority contained in this Act, amounts from working capital funds may be transferred to the Operation and Maintenance appropriations contained in this Act to be merged with and to be available for the same purposes and for the same time period as the appropriation to which transferred: Provided, That such transfers shall not exceed $451,036,000 for Operation and Maintenance, Army; $813,400,000 for Operation and Maintenance, Navy; $14,738,000 for Operation and Maintenance, Marine Corps; and $888,881,000 for Operation and Maintenance, Air Force.

SEC. 8050. None of the funds made available by this Act shall be used in any way for the leasing to non-Federal agencies in the United States aircraft or vehicles owned or operated by the Department of Defense when suitable aircraft or vehicles are commercially available in the private sector: Provided, That nothing in this section shall affect authorized and established procedures for the sale of surplus aircraft or vehicles: Provided further, That nothing in this section shall prohibit the leasing of helicopters authorized by section 1463 of the Department of Defense Authorization Act of 1986.

SEC. 8051. None of the funds made available by this Act shall be used in any way, directly or indirectly, to influence congressional action on any legislation or appropriation matters pending before the Congress.

SEC. 8052. No funds available to the Department of Defense during the current fiscal year may be used to enter into any contract with a term of eighteen months or more or to extend or renew any contract for a term of eighteen months or more, for any vessel, aircraft or vehicles, through a lease, charter, or similar agreement without previously having been submitted to the Committees on Appropriations of the House of Representatives and the Senate in the budgetary process: Provided, That any contractual agreement which imposes an estimated termination liability (excluding the estimated value of the leased item at the time of termination) on the Government exceeding 50 per centum of the original purchase value of the vessel, aircraft, or vehicle must have specific authority in an appropriation Act for the obligation of 10 per centum of such termination liability.

SEC. 8053. None of the funds made available by this Act shall be available to operate in excess of 247 commissaries in the contiguous United States.

SEC. 8054. None of the funds provided in this Act shall be used to procure aircraft ejection seats manufactured in any foreign nation that does not permit United States manufacturers to compete for *ejection seat procurement requirements in that foreign nation. This limitation shall apply only to ejection seats procured for installation on aircraft produced or assembled in the United States.*

• Sec. *8055. None of the funds appropriated by this Act shall be obligated for the pay of any individual who is initially employed after the date of enactment of this Act as a technician in the administration and training of the Army Reserve and the maintenance and repair of supplies issued to the Army Reserve unless such individual is also a military member of the Army Reserve troop program unit that he or she is employed to support. Those technicians employed by the Army Reserve in areas other than Army Reserve troop program units need only be members of the Selected Reserve.*

Sec. *8056. None of the funds appropriated by this Act shall be used to purchase dogs or cats or otherwise fund the use of dogs or cats for the purpose of training Department of Defense students or other personnel in surgical or other medical treatment of wounds produced by any type of weapon: Provided, That the standards of such training with respect to the treatment of animals shall adhere to the Federal Animal Welfare Law and to those prevailing in the civilian medical community.*

Sec. *8057. None of the funds made available by this Act shall be used to initiate full-scale engineering development of any major defense acquisition program until the Secretary of Defense has provided to the Committees on Appropriations of the House and Senate—*

(a) a certification that the system or subsystem being developed will be procured in quantities that are not sufficient to warrant development of two or more production sources, or

(b) a plan for the development of two or more sources for the production of the system or subsystem being developed.

Sec. *8058. None of the funds available to the Department of Defense may be used for the floating storage of petroleum or petroleum products except in vessels of or belonging to the United States.*

Sec. *8059. No more than $182,402,000 of the funds appropriated by this Act shall be available for the payment of unemployment compensation benefits.*

Sec. *8060. Of the funds made available to the Department of the Air Force in this Act, not less than $11,600,000 shall be available for the Civil Air Patrol.*

Sec. *8061. Funds available to the Department of Defense may be used by the Department of Defense for the use of helicopters and motorized equipment at Defense installations for removal of feral burros and horses.*

Sec. *8062. (a) None of the funds appropriated by this Act shall be available to compensate foreign selling costs as described in Federal Acquisition Regulation 31.205–38(b) as in effect on April 1, 1984.*

(b) Notwithstanding section 2324(e)(1)(H) of title 10, United States Code, and subsection (a) of this section, appropriations contained in this Act shall be available for, and the Secretary of Defense shall pay, reasonable costs under covered contracts incurred to promote American aerospace exports at domestic and international exhibits.

Sec. *8063. Within the funds appropriated for the operation and maintenance of the Armed Forces, funds are hereby appropriated pursuant to section 403(a) of title 10, United States Code, for humanitarian and civic assistance costs under chapter 20 of title 10,* *United States Code. Such funds may also be obligated for humanitarian and civic assistance costs incidental to authorized operations and pursuant to authority granted in section 403(b) of chapter 20 of title 10, United States Code, and these obligations shall be reported to Congress on September 30 of each year: Provided, That funds available for operation and maintenance shall be available for providing humanitarian and similar assistance by using Civic Action Teams in the Trust Territories of the Pacific Islands and freely associated states of Micronesia, pursuant to the Compact of Free Association as authorized by Public Law 99-239.*

SEC. 8064. Notwithstanding any other provision of law, the Secretaries of the Army and Air Force may authorize the retention in an active status until age sixty of any officer who would otherwise be removed from an active status and who is employed as a National Guard or Reserve technician in a position in which active status in a reserve component of the Army or Air Force is required as a condition of that employment.

SEC. 8065. It is the sense of the Congress that competition, which is necessary to enhance innovation, effectiveness, and efficiency, and which has served our Nation so well in other spheres of political and economic endeavor, should be expanded and increased in the provision of our national defense.

SEC. 8066. None of the funds appropriated by this Act shall be available to pay a dislocation allowance pursuant to section 407 of title 37, United States Code, in excess of one month's basic allowance for quarters.

SEC. 8067. None of the funds available to the Department of Defense shall be obligated or expended to contract out any activity currently performed by the Defense Personnel Support Center in Philadelphia, Pennsylvania: Provided, That this provision shall not apply after notification to the Committees on Appropriations of the House of Representatives and the Senate of the results of the cost analysis of contracting out any such activity.

SEC. 8068. Funds available for operation and maintenance under this Act, may be used in connection with demonstration projects and other activities authorized by section 1092 of title 10, United States Code.

SEC. 8069. None of the funds appropriated by this Act shall be used to make contributions to the Department of Defense Education Benefits Fund pursuant to section 2006(g) of title 10, United States Code, representing the normal cost for future benefits under section 1415(c) of title 38, United States Code, for any member of the armed services who, on or after the date of enactment of this Act, receives an enlistment bonus under section 308a or 308f of title 37, United States Code; nor shall any amounts representing the normal cost of such future benefits be transferred from the Fund by the Secretary of the Treasury to the Administrator of Veterans' Affairs pursuant to section 2006(d) of title 10, United States Code; nor shall the Administrator pay such benefits to any such member.

SEC. 8070. None of the funds appropriated by this or any other Act for the Navy may be used to carry out an electromagnetic pulse program in the Chesapeake Bay area in connection with the Electromagnetic Pulse Radiation Environment Simulator for Ships (EMPRESS) program unless or until the Secretary of Defense certifies to *the Congress that conduct of the EMPRESS program is essential to the national security of the United States and to achieving requisite military capability for United States naval vessels, and that the economic, environmental, and social costs to the United States of conducting the EMPRESS program in the Chesapeake Bay area are far less than the economic, environmental, and social costs caused by conducting the EMPRESS program elsewhere.*

SEC. *8071. Notwithstanding any other provision of law, during fiscal year 1988, the Department of Defense shall conduct an expanded pilot project of providing home health care as part of an individualized case-managed range of benefits that may reasonably deviate from otherwise payable types, amounts and levels of care, in up to four geographic areas containing no more than one-fourth of the Department's beneficiaries, for dependents entitled to health care under sections 1079 and 1086 of title 10, United States Code, with the patients selected from those with exceptionally serious, long-range, costly and incapacitating physical or mental conditions defined by the Secretary of Defense as likely to benefit from the range of demonstration benefits: Provided, That although the cost may be greater in a specific case, the net benefit cost to the Department of Defense shall not exceed that which could reasonably have been expected to occur in the absence of the demonstration: Provided further, That outside of the areas selected, the home health care pilot project as directed and implemented in fiscal years 1986 and 1987 shall be continued.*

SEC. *8072. Funds appropriated in this Act shall be available for the payment of not more than 75 percent of the charges of a postsecondary educational institution for the tuition or expenses of an officer in the Ready Reserve of the Army National Guard or Army Reserve for education or training during his off-duty periods, except that no part of the charges may be paid unless the officer agrees to remain a member of the Ready Reserve for at least four years after completion of such training or education.*

SEC. *8073. Notwithstanding any other provision of law, none of the funds appropriated by this Act shall be available to pay more than 50 percent of an amount paid to any person under section 308 of title 37, United States Code, in a lump sum.*

SEC. *8074. None of the funds appropriated by this Act shall be available to convert to contractor performance an activity or function of the Department of Defense that, on or after the date of enactment of this Act, is performed by more than ten Department of Defense civilian employees until a most efficient and cost-effective organization analysis is completed on such activity or function and certification of the analysis is made to the Committees on Appropriations of the House of Representatives and the Senate.*

(TRANSFER OF FUNDS)

SEC. *8075. Upon a determination by the Secretary of Defense that such action will result in a more economical acquisition of automatic data processing equipment, funds provided in this Act under one appropriation account for the lease or purchase of such equipment may be transferred through the Automatic Data Processing Equipment Management Fund to another appropriation account in this*

Act for the lease or purchase of automatic data processing equipment to be merged with and to be available for the same purposes, and for the same time period, as the appropriation to which transferred: Provided, That within thirty days after the end of each quarter the Secretary of Defense shall report transfers made under this section to the Committees on Appropriations of the Senate and the House of Representatives: Provided further, That the authority to transfer funds under this section shall be in addition to any other transfer authority contained in this Act.

SEC. 8076. *Appropriations available to the Department of Defense during the current fiscal year shall be available, under such regulations as the Secretary of Defense may deem appropriate, to exchange or furnish mapping, charting, and geodetic data, supplies or services to a foreign country pursuant to an agreement for the production or exchange of mapping, charting, and geodetic data.*

SEC. 8077. *None of the funds appropriated in this Act to the Department of the Army may be obligated for procurement of 120mm mortars or 120mm mortar ammunition manufactured outside of the United States: Provided, That this limitation shall not apply to procurement of such mortars or ammunition required for testing, evaluation, type classification or equipping the Army's Ninth Infantry Division (Motorized).*

SEC. 8078. *Appropriations made available to the Department of Defense by this Act may be used at sites formerly used by the Department of Defense for removal of unsafe buildings or debris of the Department of Defense: Provided, That such removal must be completed before the property is released from Federal Government control, other than property conveyed to State or local government entities or native corporations.*

SEC. 8079. *Within the funds made available under title II of this Act, the military departments may use such funds as necessary, but not to exceed $2,400,000, to carry out the provisions of section 430 of title 37, United States Code.*

SEC. 8080. *None of the funds appropriated in this Act may be obligated or expended to carry out a program to paint any naval vessel with paint known as organotin or with any other paint containing the chemical compound tributyltin until such time as the Environmental Protection Agency certifies to the Department of Defense that whatever toxicity as generated by organotin paints as included in Navy specifications does not pose an unacceptable hazard to the marine environment: Provided, That the Navy may use these funds to paint aluminum-hulled craft as necessary, and, in addition, the Navy may paint no more than fifteen steel-hulled ships to conduct research as described in the "Navy Organotin Program Plan for Two Case Study Harbors".*

SEC. 8081. *None of the funds appropriated by this Act shall be used for the support of any nonappropriated fund activity of the Department of Defense that procures malt beverages and wine with nonappropriated funds for resale (including such alcoholic beverages sold by the drink) on a military installation located in the United States, unless such malt beverages and wine are procured in that State, or in the case of the District of Columbia, within the District of Columbia, in which the military installation is located: Provided, That in a case in which a military installation is located* *in more than one State, purchases may be made in any State in which the installation is located: Provided further, That such local procurement requirements for malt beverages and wine shall apply to all alcoholic beverages for military installations in States which are not contiguous with another State: Provided further, That alcoholic beverages other than wine and malt beverages in contiguous States and the District of Columbia shall be procured from the most competitive source, price and other factors considered.*

SEC. 8082. *Notwithstanding any other provision of law, funds available in this Act shall be available to the Defense Logistics Agency to grant civilian employees participating in productivity-based incentive award programs paid administrative time off in lieu of cash payment as compensation for increased productivity.*

SEC. 8083. *None of the funds appropriated in this Act to the Department of the Army may be obligated for depot maintenance of equipment unless such funds provide for civilian personnel strengths at the Army depots performing communications-electronics depot maintenance at an amount above the strengths assigned to those depots on September 30, 1985: Provided, That the foregoing limitation shall not apply to civilian personnel who perform caretaker-type functions at these installations: Provided further, That nothing in this provision shall cause undue reductions of other Army depots, as determined by the Secretary of the Army.*

SEC. 8084. *(a) The Secretary of Defense shall award to a United States firm a contract pursuant to a solicitation issued on or after the date of enactment of this Act under the Department of Defense overseas fuel procurement programs that would otherwise be awarded to a foreign firm if such United States firm—*

(1) has a crude oil refining capacity of not more than 85,000 barrels a day;

(2) participates in the Department of Defense overseas fuel procurement program;

(3) agrees to the contract on the terms proposed by the foreign firm to which the contract would otherwise be awarded; and

(4) does not use processing agreements in order to fulfill the contract.

(b) This provision shall not apply if the total cost of supplies offered by the United States firm, including transportation as specified in the solicitation, would exceed the total evaluated cost to the government if the contract were awarded to the foreign firm.

(c) This provision shall not supersede any status of forces agreement and shall not apply to acquisitions subject to the Agreement on Government Procurement of 1979 and the Trade Agreements Act of 1979 (19 U.S.C. 2501–2582) and including acquisitions from countries designated under the Caribbean Basin Economic Recovery Act (19 U.S.C. 2701, et seq.).

(d) For purposes of this section, the term "United States firm" means a corporation, partnership, association, joint stock company, business trust, unincorporated organization, or sole proprietorship which has its principal place of business in the United States, or which is organized under the laws of a State of the United States or a territory, possession, or commonwealth of the United States.

SEC. 8085. *(a) None of the funds made available by this Act to the Department of Defense may be used to procure the Federal Supply*

Classes of machine tools set forth in subsection (b) of this section, for use in any government-owned facility or property under control of the Department of Defense, which machine tools were not manufactured in the United States or Canada.

(b) The procurement restrictions contained in subsection (a) shall apply to Federal Supply Classes of metalworking machinery in categories numbered 3408, 3410–3419, 3426, 3433, 3441–3443, 3446, 3448, 3449, 3460, and 3461.

(c) When adequate domestic supplies of the classifications of machine tools identified in subsection (b) are not available to meet Department of Defense requirements on a timely basis, the procurement restrictions contained in subsection (a) may be waived on a case by case basis by the Secretary of the Service responsible for the procurement.

(d) Subsection (a) shall not apply to contracts which are binding as of the date of enactment of this Act.

SEC. 8086. None of the funds appropriated or made available by this Act may be obligated for acquisition of major automated information systems which have not successfully completed oversight reviews required by Defense Department regulations: Provided, That none of the funds appropriated or made available by this Act may be obligated on Composite Health Care System acquisition contracts if such contracts would cause the total life cycle cost estimate of $1,100,000,000 expressed in fiscal year 1986 constant dollars to be exceeded.

SEC. 8087. Notwithstanding any other provision of law, appropriations available to the Department of Defense during the current fiscal year shall be available to make payments to a hospital that obtains 6 percent or more of its operating funds from contributions and that limits the care it provides to the treatment of heart and lung conditions: Provided, That payment may not be denied for a claim for otherwise reimbursable services submitted under a plan contracted for under sections 1079(a) and 1086(a) of title 10, United States Code, solely on the basis that such hospital does not impose a legal obligation, including a patient cost share or deductible, on its patients to pay for such services.

SEC. 8088. The Secretary of Defense shall take such action as necessary to assure that a minimum of 50 percent of the polyacrylonitrile (PAN) carbon fiber requirement be procured from domestic sources by 1992: Provided, That the annual goals to achieve this requirement be as follows: 15 percent of the total DoD requirement by 1988; 15 percent of the total DoD requirement by 1989; 20 percent of the total DoD requirement by 1990; 25 percent of the total DoD requirement by 1991; and 50 percent of the total DoD requirement by 1992.

SEC. 8089. (a) Section 9102 of the Department of Defense Appropriations Act, 1987 (as included in Public Laws 99-500 and 99-591) is repealed; (b) of the funds appropriated by this Act not more than $1,190,923,000 may be obligated for morale, welfare, and recreation activities: Provided, That such funds may be spent in accordance with the criteria set forth in the Report of the Assistant Secretary of Defense (Force Management and Personnel) to the Congress entitled "Reassessment of the Department of Defense Morale, Welfare and Recreation Programs" dated August 10, 1987: Provided further, *That nonappropriated funds may be used to reimburse appropriated funds for expenses of civilian employees employed on January 1, 1987, by revenue-generating recreation activities and such reimbursed expenses shall not be included in the dollar limitation of this section.*

SEC. 8090. (a) The Secretary of the Navy (hereinafter in this section referred to as the "Secretary") is authorized to convey to the Philadelphia Municipal Authority, a State authority, (hereinafter in this section referred to as the "PMA"), all right, title, and interest of the United States in and to approximately 29 acres of land located in the United States Naval Base, Philadelphia, Pennsylvania, together with any improvements thereon.

(b) The exact acreage and legal description of the lands to be conveyed under this section shall be determined by surveys that are satisfactory to the Secretary. The cost of any such survey shall be borne by the PMA.

(c) In consideration for any conveyance authorized under subsection (a), the PMA shall pay to the United States an amount equal to the fair market value of the property to be conveyed (as determined by the Secretary).

(d) The Secretary may require such additional terms and conditions with respect to the conveyance under this section as he considers appropriate to protect the interests of the United States.

(e) In addition to the authority provided in subsection (a) and pursuant to section 2394 of title 10, United States Code, the Secretary, upon his determination that there is an economic advantage to the Navy, is authorized to enter into a long-term contract with the PMA for the purchase of steam generated from a facility to be constructed upon the land authorized to be conveyed herein.

SEC. 8091. Notwithstanding any other provision of law, appropriations made available in this Act may be used for the procurement, product improvement and modification of the Copperhead projectile, without regard to whether or not a second production source program or contract has been established for this program if the Secretary of Defense determines that such expenditures are in the interest of the Government of the United States: Provided, That prior year unobligated balances of funds appropriated for Other Procurement, Navy for procurement of the five inch guided projectile (other than those required for production qualification efforts) shall be available for obligation only after the Secretary of the Navy certifies to the Committees on Appropriations of the House of Representatives and Senate that (1) procurement funding is included in the fiscal year 1989 Navy five year budget, (2) it will be competitively procured, and (3) procurement will be on a firm fixed price contract with a procurement unit cost of not to exceed $29,000 per round.

SEC. 8092. Except where specifically increased or decreased elsewhere in this Act, the restrictions contained within appropriations, or provisions affecting appropriations or other funds, available during fiscal year 1988, limiting the amount which may be expended for personnel services, and including pay and allowances of military personnel and civilian employees, or for purposes involving personal services, or amounts which may be transferred between appropriations or authorizations available for or involving such services, *are hereby increased to the extent necessary to meet increased pay costs authorized by or pursuant to law.*

SEC. *8093. None of the funds appropriated or made available by this or any other Act with respect to any fiscal year may be used by any Department, agency, or instrumentality of the United States to purchase electricity in a manner inconsistent with state law governing the provision of electric utility service, including state utility commission rulings and electric utility franchises or service territories established pursuant to state statute, state regulation, or state-approved territorial agreements: Provided, That nothing in this section shall preclude the head of a Federal agency from entering into a contract pursuant to 42 U.S.C. 8287; nor shall it preclude the Secretary of a military department from entering into a contract pursuant to 10 U.S.C. 2394 or from purchasing electricity from any provider when the utility or utilities having applicable state-approved franchise or other service authorizations are found by the Secretary to be unwilling or unable to meet unusual standards for service reliability that are necessary for purposes of national defense.*

SEC. *8094. None of the funds provided by this Act may be used to pay the salaries of any person or persons who authorize the transfer of unobligated and deobligated appropriations into the Reserve for Contingencies of the Central Intelligence Agency.*

SEC. *8095. Funds appropriated by this Act for construction projects of the Central Intelligence Agency, which are transferred to another Agency for execution, shall remain available until expended.*

SEC. *8096. The Secretary of Defense shall submit a quarterly report of cumulative reprogrammings from any project or program in excess of an initial $10,000,000 in total for procurement and an initial $4,000,000 in total for research and development. The initial report shall cover the quarter ending March 31, 1988, and include funds in this and prior appropriation Acts.*

SEC. *8097. (a) The Secretary of Defense shall conduct through the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) a demonstration project on the treatment of alcoholism designed to compare the use of chemical aversion therapy with the use of other treatments. At the conclusion of the demonstration project, the Secretary shall submit to the Committees on Appropriations and Armed Services of the Senate and House of Representatives a report on the results of the project: Provided, That the demonstration project shall be conducted at only one location: Provided further, That coverage for chemical aversion therapy under this demonstration project is extended to those beneficiaries referred for such treatment by a physician, psychiatrist or psychologist recognized as an authorized provider under CHAMPUS.*

(b) Until the report required by subsection (a) is submitted, the Secretary of Defense shall ensure that coverage of beneficiaries under section 1079(a) or 1086(a) of title 10, United States Code, shall continue under the provisions of subsection (a).

SEC. *8098. Notwithstanding the provisions of section 2401, title 10, United States Code, or of any other provision of law which would limit lease or charter terms to less than five years, the Navy is authorized to enter into agreements to construct and charter up to six clean product tankers of adequate cargo capacity to replace the*

SEALIFT-class tankers now in service. Tankers constructed under the terms of this section must be constructed in a shipyard of the United States in accordance with section 10-(d), title 41, United States Code.

SEC. 8099. The Secretary of the Army, as Executive Agent for the Department of Defense, may authorize activities on the part of the Armed Forces in celebration of the Bicentennial of the Constitution, and in support of Congressional Bicentennial activities. Such sums as are necessary to pay the expenses of these activities shall be made available from funds otherwise appropriated to the Department of Defense, except that such funds shall not be counted against the limitation on funds available for public affairs or legislative liaison activities of the Department of Defense.

SEC. 8100. Upon a certification by the Chief, National Guard Bureau, to the Committees on Appropriations and Armed Services of the Senate and House of Representatives that complete delivery of 530 M939A2 trucks cannot be accomplished by February 1, 1989, and that the total cost of a contract for M939A1 trucks will not exceed the cost of a contract for M939A2 trucks for the same number of trucks to be acquired under the M939A1 contract, appropriations made in this Act, or in the Department of Defense Appropriations Acts for fiscal year 1986 and for fiscal year 1987 under the heading "National Guard and Reserve Equipment", may be used to acquire M939A1 trucks.

SEC. 8101. None of the funds appropriated by this Act shall be available for the operation and maintenance of contractor-owned, contractor-operated primary health care facilities unless the Department of Defense Inspector General agrees to conduct an inspection, audit and evaluation of these clinics.

SEC. 8102. Funds provided by this Act for the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) may be used by the Office of CHAMPUS to conduct a pilot project to provide program modifications and efficiencies by amending up to two existing fiscal intermediary contracts: Provided, That the Secretary of Defense conducts a separate health care demonstration project, if it is in the best interests of the Government, in the New Orleans, Louisiana area (the area described in Solicitation Number MDA903-87-R-0047) that uses a managed health care network, including health care enrollment (as provided for in section 1099, title 10, United States Code): Provided further, That the Secretary shall implement this demonstration project no later than September 30, 1988.

SEC. 8103. Notwithstanding any other provision of law, the Secretary of the Navy may use funds appropriated to charter ships to be used as auxiliary minesweepers providing that the owner agrees that these ships may be activated as Navy Reserve ships with Navy Reserve crews used in training exercises conducted in accordance with law and policies governing Naval Reserve forces.

SEC. 8104. (a) None of the funds in this Act may be used to award a contract for the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) Reform Initiative that exceeds the total fiscal year 1987 costs for CHAMPUS care provided in California and Hawaii, plus normal and reasonable adjustments for price and program growth.

(b) Notwithstanding section 725 of Public Law 100–180, the preemption provisions of title 10, United States Code, chapter 55, section 1103, shall not be limited to contractual provisions relating to coverage of benefits, but shall apply to any and all contracts entered into pursuant to Solicitation Number MDA-903-87-R-0047 and shall preempt any and all State and local laws or regulations which relate to health insurance or to prepaid health care plans.

Sec. 8105. None of the funds appropriated by this Act may be used by the Defense Logistics Agency to assign a supervisor's title or grade when the number of people he or she supervises is considered as a basis for this determination: Provided, That savings that result from this provision are represented as such in future budget proposals.

Sec. 8106. Appropriations made available in this Act by the appropriation "Operation and maintenance, Army" shall be available for logistical support and personnel services required to complete Department of Defense support for the Tenth International Pan American Games.

Sec. 8107. Of funds identified in chapter IIIA, section 5(b) of the Urgent Supplemental Appropriations Act, 1986 (Public Law 99–349), the $18,500,000 made available for purchase of an HC–130 tanker and the $12,000,000 made available for purchase of an aerostat radar system shall be available only for procurement and installation, including site preparations, of aerostat radars.

Sec. 8108. None of the funds appropriated by this Act shall be used to make contributions to the Department of Defense Education Benefits Fund pursuant to section 2006(g) of title 10, United States Code, representing the normal cost for future benefits under section 1415(c) of title 38, United States Code, for any member of the armed services who, on or after the date of the enactment of this Act, enlists in the armed services for less than three years; nor shall any amounts representing the normal cost of such future benefits be transferred from the Fund by the Secretary of the Treasury to the Administrator of Veterans Affairs pursuant to section 2006(d) of title 10, United States Code; nor shall the Administrator pay such benefits to any such member: Provided, That these limitations shall not apply to members in combat arms skills.

Sec. 8109. Of the funds made available in this Act, the Department of Defense shall transfer $1,342,000 to the Bureau of Land Management appropriation account for fire management to be used for repair and replacement of materials destroyed by fire, to be merged with, and such funds are to be awarded for the same purposes and for the same time period as the appropriation to which transferred.

Sec. 8110. None of the funds appropriated by this Act shall be available for the basic pay and allowances of any member of the Army participating as a full-time student and receiving benefits paid by the Administrator of Veterans Affairs from the Department of Defense Education Benefits Fund when the time spent as a full-time student is credited toward completion of a service commitment: Provided, That this provision shall not apply to those members who have reenlisted with this option prior to October 1, 1987: Provided further, That this provision applies to active components of the Army.

Sec. 8111. Of the funds made available in this Act for military personnel appropriations, up to $2,800,000 may be available for the purposes of section 638 of the National Defense Authorization Act for fiscal years 1988 and 1989 (Public Law 100-180).

Sec. 8112. Funds appropriated or made available in this Act shall be obligated and expended to continue to fully utilize the facilities at the United States Army Engineer's Waterways Experiment Station, including the continued availability of the supercomputer capability and the planned upgrade of this capability: Provided, That none of the funds in this Act may be used to purchase any supercomputer which is not manufactured in the United States, unless the Secretary of Defense certifies to the Armed Services and Appropriations Committees of Congress that such an acquisition must be made in order to acquire capability for national security purposes that is not available from United States manufacturers.

Sec. 8113. The Secretary of Defense shall take such action as may be necessary to implement at the earliest practicable date and with funds provided for such purpose by section 8110 of the Department of Defense Appropriations Act, 1986 (as contained in section 101(b) of Public Law 99-190; 99 Stat. 1222), the program proposed by the Department of Defense in a letter dated August 30, 1985, from the Assistant Secretary of Defense for Acquisition and Logistics to rehabilitate and convert current steam generating plants at defense facilities in the United States to coal burning facilities in order to achieve a coal consumption target of 1,600,000 short tons of coal per year (including at least 300,000 short tons of anthracite coal) above current consumption levels at Department of Defense facilities in the United States by fiscal year 1994: Provided, That such action shall be subject to the use of only the most cost effective fuel system in the construction of new plants or the conversion of existing plants: Provided further, That during fiscal year 1988, the amount of anthracite coal purchased by the Department shall be at least 300,000 short tons: Provided further, That the funds identified in section 8110 of Public Law 99-190 shall continue to be made available until expended to be used on a non-reimbursable basis for the administrative costs of this program.

Sec. 8114. For the purposes of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177) as amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Public Law 100-119), the term program, project, and activity for appropriations contained in this Act shall be defined as the most specific level of budget items identified in the Department of Defense Appropriations Act, 1988, the accompanying House and Senate Committee reports, the conference report and accompanying joint explanatory statement of the managers of the Committee of Conference, the related classified annexes, and the P-1 and R-1 budget justification documents as subsequently modified by Congressional action: Provided, however, that the following exception to the above definition shall apply:

For the Military Personnel and the Operation and Maintenance accounts, the term "program, project, and activity" is defined as the appropriations accounts contained in the Department of Defense Appropriations Act.

Sec. 8115. (a) Of the funds appropriated to the Army, $90,895,000 shall be available only for the Reserve Component Automation System (RCAS): Provided, That none of these funds can be expended:

(1) except as approved by the Chief of the National Guard Bureau;

(2) unless RCAS resource management functions are performed by the National Guard Bureau;

(3) unless the RCAS contract source selection official is the Chief of the National Guard Bureau;

(4) to pay the salary of an RCAS program manager who has not been selected and approved by the Chief of the National Guard Bureau and chartered by the Chief of the National Guard Bureau and the Secretary of the Army;

(5) unless the Program Manager (PM) charter makes the PM accountable to the source selection official and fully defines his authority, responsibility, reporting channels and organizational structure;

(6) to pay the salaries of individuals assigned to the RCAS program management office, source selection evaluation board, and source selection advisory board unless such organizations are comprised of personnel chosen jointly by the Chiefs of the National Guard Bureau and the Army Reserve;

(7) to award a contract for development or acquisition of RCAS unless such contract is competitively awarded under procedures of OMB Circular A–109 for an integrated system consisting of software, hardware, and communications equipment and unless such contract precludes the use of Government furnished equipment, operating systems, and executive and applications software; and

(8) unless RCAS performs its own classified information processing.

(b) None of the funds appropriated in this Act are available for procurement of Tactical Army Combat Service Support Computer Systems (TACCS) unless at least fifty percent of the TACCS computers procured with Army fiscal year 1988 funds are provided to the Reserve Component.

(c) None of the funds appropriated in this Act are available for procurement of mini- and micro-computers for the Army Reserve Component until the RCAS contract is awarded.

Sec. 8116. Whereas a verifiable treaty eliminating United States and Soviet medium- and short-range nuclear ballistic missiles in Europe would enhance United States and European security;

Whereas the Congress supports the President's goal of reducing United States and Soviet conventional forces in Europe and reducing United States and Soviet strategic nuclear forces;

Whereas it is important the Congress and the President be in agreement on United States national security goals and objectives in order for the United States to be in the strongest possible position to negotiate with the Soviet Union future reductions in conventional and strategic nuclear forces;

Whereas the Congress strongly opposes the undercutting of these arms reduction negotiations by either the United States or the

Soviet Union through unnecessary military initiatives or counterproductive arms control proposals;

Whereas no decision has been made on the development or deployment of strategic defenses;

Therefore, it is the sense of the Congress that—

(1) in order to maintain the basis for strong deterrence, the Strategic Defense Initiative (SDI) should be a long-term and robust research program to provide the United States with expanded options for responding to a Soviet breakout from the 1972 Anti-Ballistic Missile Treaty and to respond to other future Soviet arms initiatives that might pose a grave threat to United States national security;

(2) by expanding potential United States strategic options the SDI research program can enhance United States leverage in the United States-Soviet arms reduction negotiations and serve as a safeguard for ensuring that negotiated agreements are kept;

(3) future research plans and budgets for SDI must be established using realistic projections of available resources in the overall defense budget and must not undercut other important Department of Defense programs; and

(4) in matching research priorities against available resources, the primary emphasis of SDI should be to explore promising new technologies, such as directed energy technologies, which might have long-term potential to defend against a responsive Soviet offensive nuclear threat.

Sec. 8117. From funds available in this Act for Research, Development, Test, and Evaluation, Army, the Army shall expeditiously and without further delay complete development and operational testing of the M72E4, type classify the weapon, and acquire a technical data package.

Sec. 8118. None of the funds provided for the Department of Defense in this Act may be obligated or expended for fixed price-type contracts in excess of $10,000,000 for the development of a major system or subsystem unless the Under Secretary of Defense for Acquisition determines, in writing, that program risk has been reduced to the extent that realistic pricing can occur, and that the contract type permits an equitable and sensible allocation of program risk between the contracting parties: Provided, That the Under Secretary may not delegate this authority to any persons who hold a position in the Office of the Secretary of Defense below the level of Assistant Secretary of Defense: Provided further, That the Under Secretary report to the Committees on Appropriations of the Senate and House of Representatives in writing, on a quarterly basis, the contracts which have obligated funds under such a fixed price-type developmental contract.

Sec. 8119. Monetary limitations on the purchase price of a passenger motor vehicle shall not apply to vehicles purchased for intelligence activities conducted pursuant to Executive Order 12333 or successor orders.

Sec. 8120. Not to exceed $25,000,000 of the funds appropriated in this Act to the Department of the Army may be used to fund the construction of classified military projects within the Continental

United States, including design, architecture, and engineering services.

SEC. 8121. From the amounts appropriated in this Act, funds shall be available for Naval Air Rework Facilities to perform manufacturing in order to compete for production contracts of Defense articles: Provided, That the Navy shall certify that successful bids between Naval Air Rework Facilities and private companies for such production contracts include comparable estimates of all direct and indirect costs: Provided further, That competitions conducted under this authority shall not be subject to section 502 of the Department of Defense Authorization Act, 1981, as amended, section 307 of the Department of Defense Authorization Act, 1985, or Office of Management and Budget Circular A-76.

SEC. 8122. Nothing in section 102d(1) of Public Law 100-178, section 601(b)(2)(A) of Public Law 99-433 (100 Stat. 1065), or section 601(d) of Public Law 99-433 (100 Stat. 1065) shall be construed as requiring or suggesting that the Secretary of Defense avoid allocating personnel reductions to the Defense Intelligence Agency.

SEC. 8123. Notwithstanding any other provision of law, the Department of Defense may waive Federal regulations concerning wage rates for authorized civilian employees hired for certain health care occupations: Provided, That only those occupations cited in the June 30, 1988, report to be submitted by the Assistant Secretary of Defense for Health Affairs shall be covered by this provision.

SEC. 8124. None of the funds available to the Department of Defense are available for obligation or expenditure to procure either directly or indirectly any goods or services from Toshiba Corporation or any of its subsidiaries, or from Kongsberg Vapenfabrikk or any of its subsidiaries: Provided, That the Secretary of Defense may, on a case-by-case basis, waive the preceding prohibition upon a written determination to the Committees on Appropriations of the House of Representatives and the Senate that compliance would be detrimental to United States national security interests: Provided further, That the above provision shall not be effective until ninety days after enactment of this Act.

SEC. 8125. (a) None of the funds available to the Department of Defense may be used for procurement of welded shipboard anchor chain and mooring chain (of all types four or less inches in diameter) manufactured outside of the United States or Canada.

(b) When adequate domestic supplies of welded shipboard anchor chain and mooring chain (of all types four or less inches in diameter) are not available to meet Department of Defense requirements on a timely basis, the procurement restrictions contained in subsection (a) may be waived on a case-by-case basis by the Secretary of the Service responsible for the procurement.

(c) Subsection (a) shall not apply to contracts which are binding as of the date of enactment of this Act.

SEC. 8126. Except as provided in section 2690 of title 10, United States Code, none of the funds available to the Department of Defense may be used for the consolidation or conversion of heating plants at defense facilities in Europe from coal to district heating distribution systems: Provided, That this provision shall not apply to facilities for which consolidation or construction contracts were entered into before September 30, 1987.

SEC. 8127. *During the current fiscal year, notwithstanding any other provision of law, the Department of Defense shall exclude from diagnosis related groups regulations: (a) inpatient hospital services in a hospital whose patients are predominantly under 18 years of age and (b) such services in any hospital with respect to (1) discharges involving newborns and infants who are less than 29 days old upon admission (other than discharges classified to diagnosis related group 391), (2) discharges involving pediatric bone marrow transplants, (3) discharges involving children who have been determined to be HIV seropositive, and (4) discharges involving pediatric cystic fibrosis: Provided, That the Department of Defense shall ensure that beneficiaries not be required to pay more in cost-shares under the foregoing exclusions than those which would have been imposed if the diagnosis related group system had been instituted: Provided further, That notwithstanding any other provision of law, appropriations available to the Department of Defense may be used to pay the difference between the cost-shares paid by beneficiaries under the foregoing and the billed charges for services covered by this provision.*

SEC. 8128. *None of the funds available for programs administered by the Assistant Secretary of the Army for Civil Works in this or any other Act hereafter are available to continue, initiate, review, complete, or approve A-76 studies on contracting out for any reservoir area in the State of Mississippi administered by the Corps of Engineers unless specified in appropriation bills.*

SEC. 8129. *None of the funds in this Act or any other funds available to commissaries and exchanges may be used to purchase or sell any Toshiba products in those commissaries or exchanges: Provided, That the above provision shall not be effective until ninety days after enactment of this Act.*

(TRANSFER OF FUNDS)

SEC. 8130. *Of the funds appropriated in this Act and from funds appropriated to the Department of Defense in prior years that remain available for obligation, $316,000,000 may be transferred from any appropriation, except appropriations made available to the Department of the Army, to any appropriate Air Force appropriation, and thirty legislative days after notification of such transfers to the Committees on Appropriations and Armed Services of the House of Representatives and the Senate and without objection of the Committees within that thirty legislative day period, such transfers may be used for activities related to the space launch recovery program, to be merged with and to be available for the same purposes, and the same time period, as the appropriation to which transferred: Provided, That none of the funds transferred pursuant to this paragraph may be obligated or expended for the space launch recovery program until the Secretary of Defense and the Administrator of the National Aeronautics and Space Administration have submitted the plan required by section 5(a) of chapter II of title I of Public Law 100-71 (101 Stat. 398): Provided further, That the authority to transfer funds under this section shall be in addition to any other transfer authority contained in this Act.*

Sec. 8131. Notwithstanding any other provision of law, the Secretary of the Air Force shall, from existing prior year funds, make available the additional $18,000,000 necessary to complete the $28,700,000 development and qualification program of the next generation trainer engine (F-109) over the next three-year period: Provided, That none of the funds may be obligated or expended until the Air Force submits a report to the Committees on Appropriations which identifies the specific Air Force aircraft on which the F-109 engine will be used.

(TRANSFER OF FUNDS)

Sec. 8132. Notwithstanding any other provision of law, the Department of Defense may transfer prior year unobligated balances and funds appropriated in this Act to the operation and maintenance appropriations of the reserve components for the purpose of providing military technician pay the same exemption from sequestration set forth in the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177) as amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Public Law 100-119) as that granted the other military personnel accounts: Provided, That any transfer made pursuant to any use of the authority provided by this provision shall be limited so that the amounts reprogrammed to the operation and maintenance appropriations of the reserve components do not exceed the amounts sequestered under the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177) as amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Public Law 100-119): Provided further, That the authority to make transfers pursuant to this section is in addition to the authority to make transfers under other provisions of this Act: Provided further, That the Secretary of Defense may proceed with such transfer after notifying the Appropriations Committees of the House of Representatives and the Senate twenty legislative days before any such transfer of funds under this provision and if no objection is expressed within that twenty legislative day period.

(TRANSFER OF FUNDS)

Sec. 8133. Funds appropriated in this Act and from funds appropriated to the Department of Defense in prior years that remain available for obligation, $100,000,000 may be transferred from any such appropriation to Aircraft Procurement, Air Force, for the procurement of six replacement aircraft for the Flight Inspection Program, to be merged with and to be available for the same purposes, and the same time period, as the appropriation to which transferred: Provided, That the authority to transfer funds under this section shall be in addition to any other transfer authority contained in this Act.

Sec. 8134. None of the funds appropriated by this Act may be used to carry out full-scale engineering development or deployment on the project under the Strategic Defense Initiative designated on September 1, 1987, as the Space-Based Interceptor (SBI) Project.

Sec. 8135. Sections 4, 431, and 634 of the National Defense Authorization Act for fiscal years 1988 and 1989 (Public Law 100-180) are hereby repealed.

Sec. 8136. Notwithstanding any other provision of law, during fiscal year 1988, the Secretary of Defense shall make available to the United States Coast Guard without reimbursement not less than $105,000,000 in supplies, fuel, training assistance, and other operational support, exclusive of administrative costs, including $5,000,000 for the completion of development of a low-frequency, lightweight, portable sonar for the Coast Guard's antisubmarine warfare mission requirements, in addition to such assistance as would ordinarily be provided in the absence of this provision: Provided, That such items shall be deemed Department of Defense expenditures for Coast Guard defense related activities: Provided further, That from funds provided for "Aircraft Procurement, Navy, fiscal year 1987", $33,000,000 shall be available for procurement and installation of APG-66 radar and other sensors for HU-25 aircraft and seabased aerostat radar systems in support of the Coast Guard Drug Interdiction Program.

Sec. 8137. The President shall submit in his budget proposals to the Congress for fiscal year 1989 an arrangement for the Ready Reserve Fleet in which funding and program responsibilities are consolidated in a single Federal organization.

Sec. 8138. It is the sense of the Congress that the Secretary of Defense should name one of the new nuclear aircraft carriers appropriated in fiscal year 1988 the U.S.S. JOHN C. STENNIS.

(TRANSFER OF FUNDS)

Sec. 8139. In addition to the amounts appropriated or otherwise made available in this Act, $875,000,000 is appropriated to fully fund the military pay raise with any remaining balance of the appropriation available to fund the civilian pay raise as authorized by law: Provided, That such amounts shall be transferred and merged with "Military Personnel" and "Operation and Maintenance" appropriations accounts as applicable and that such transfer authority shall be in addition to that provided elsewhere in this Act: Provided further, That such sums as may be necessary for authorized pay raise costs in excess of this appropriation shall be accommodated within the levels appropriated in this Act.

Sec. 8140. None of the funds available to the Department of the Navy may be used to enter into any contract for the overhaul, repair, or maintenance of any naval vessel on the West Coast of the United States which includes charges for interport differential as an evaluation factor for award.

Sec. 8141. No naval vessel or any vessel owned and operated by the Department of Defense homeported in the United States may be overhauled, repaired, or maintained in a foreign owned and operated shipyard located outside of the United States, except for voyage repairs.

Sec. 8142. (a) Section 38(b)(1) of the Arms Export Control Act (22 U.S.C. 2778(b)(1)) is amended—

(1) by inserting "(A)" before "As prescribed in"; and

(2) by adding at the end the following:

"(B) The prohibition under such regulations required by the second sentence of subparagraph (A) shall not extend to any military firearms (or ammunition, components, parts, accessories, and attachments for such firearms) of United States manufacture furnished to any foreign government by the United States under this Act or any other foreign assistance or sales program of the United States if—

"(i) such firearms are among those firearms that the Secretary of the Treasury is, or was at any time, required to authorize the importation of by reason of the provisions of section 925(e) of title 18, United States Code (including the requirement for the listing of such firearms as curios or relics under section 921(a)(13) of that title); and

"(ii) such foreign government certifies to the United States Government that such firearms are owned by such foreign government.".

(b)(1) Except as provided in paragraphs (2) and (3), subparagraph (B) of section 38(b)(1) of the Arms Export Control Act, as added by subsection (a), shall take effect at the end of the ninety-day period beginning on the date of the enactment of this Act.

(2)(A) Such subparagraph shall take effect on the date of the enactment of this Act with respect to any military firearms or ammunition (or components, parts, accessories and attachments for such firearms) with respect to which an import permit was issued by the Secretary of the Treasury on or after July 1, 1986, irrespective of whether such import permit was subsequently suspended, revoked, or withdrawn by the Secretary of the Treasury based on the application of section 38(b)(1) of the Arms Export Control Act as in effect on the day before the date of the enactment of this Act.

(B) In the case of an import permit described in subparagraph (A) which was suspended, revoked, or withdrawn by the Secretary of the Treasury during the period beginning on July 1, 1986, and ending on the date of the enactment of this Act under the conditions described in such subparagraph, such import permit shall be reinstated and reissued immediately upon the enactment of this Act, and in any event not later than ten days after the date of the enactment of this Act.

(3) During the period preceding the revision of regulations issued under section 38(b)(1) of the Arms Export Control Act to reflect the provisions of subparagraph (B) of such section, as added by subsection (a), such regulations may not be applied with respect to matters covered by paragraph (2) of this subsection so as to prohibit or otherwise restrict the importation of firearms described in that paragraph or in any other manner inconsistent with that paragraph, notwithstanding that such regulations have not yet been so revised: Provided, That this section shall not take effect if during the twenty day period beginning on the date of enactment of this section the Secretary of State, the Secretary of Defense, or the Secretary of the Treasury notifies Congress that he has an objection to the intent of this section: Provided further, That the Attorney General shall, within the period of time stated in the first proviso, submit a certification to Congress indicating whether the enactment of this section will interfere with any ongoing criminal investigation with respect to this section. If a certification of criminal investigative interfer-

ence or an objection to the intent of this section is made, as herein provided, no permit shall be issued to anyone.

SEC. 8143. (a) EXTENSION OF PROGRAM.—Section 516(a) of the Foreign Assistance Act of 1961 is amended in the first sentence by striking out "and 1988" and inserting in lieu thereof ", 1988, and 1989,".

(b) MAJOR NON-NATO ALLIES.—Section 516(a) of that Act is amended in the first sentence by inserting ", and to major non-NATO allies on the southern and southeastern flank of NATO which are eligible for United States security assistance," after "military structure".

(c) EXCESS DEFENSE ARTICLES.—Section 516 of that Act is amended—

(1) in subsection (a)—

(A) in the first sentence, by inserting "excess" before "defense articles", and

(B) in the second sentence, by inserting "excess defense" before "articles"; and

(2) in the text of subsection (b) preceding paragraph (1), in subsection (c), and in subsection (d), by inserting "excess" before "defense articles".

SEC. 8144. None of the funds available to the Central Intelligence Agency, the Department of Defense, or any other agency or entity of the United States Government may be obligated or expended during fiscal year 1988 to provide funds, materiel, or other assistance to the Nicaraguan democratic resistance unless in accordance with the terms and conditions specified by section 104 of the Intelligence Authorization Act (Public Law 100–178) for fiscal year 1988.

APPENDIX B: DEPARTMENT OF DEFENSE MILITARY CONSTRUCTION APPROPRIATIONS ACT FOR FY 1988
PUBLIC LAW 100-202

GENERAL PROVISIONS

Sec. 101	Cost-plus-a-fixed-fee contracts
Sec. 102	Hire of passenger motor vehicles
Sec. 103	Access road construction
Sec. 104	New bases inside CONUS
Sec. 105	Purchase of land/land easements
Sec. 106	Family housing funding
Sec. 107	Activity transfer/relocation
Sec. 108	Steel procurement
Sec. 109	Indian Ocean dredging
Sec. 110	Real property taxes in foreign nations
Sec. 111	U.S. Government officer compensation and contractor reimbursement
Sec. 112	Consulting services
Sec. 113	New overseas installations
Sec. 114	Architect and engineer contracts for projects in Japan/NATO countries
Sec. 115	Contract awards in U.S. territories, Pacific
Sec. 116	Military exercises involving U.S. personnel
Sec. 117	Unexpended balances in the Military Family Housing Management Account
Sec. 118	20% obligation limitation during last two months of fiscal year
Sec. 119	Prior year construction funds
Sec. 120	NATO/U.S./JAPAN common defense
Sec. 121	Construction/family housing fund transfers
Sec. 122	Legislative liaison on Military Construction and Family Housing
Sec. 123	Access roads; Pennsylvania
Sec. 124	Funds for Pentagon Annex
Sec. 125	National Test Facility at Falcon Air Station, Colorado
Sec. 126	Transfering assets from Edgewood Arsenal, Maryland
Sec. 127	Public sale of agency property
Sec. 128	Debt payment
Sec. 129	Brooklyn Navy Yard
Sec. 130	U.S. Army Reserve Center, Caven Point, NJ
Sec. 131	Mission Trails Regional Park, San Diego, CA
Sec. 132	Authority to Exchange real property
Sec. 133	Authority to convey property to the State of North Carolina
Sec. 134	Military construction at Everett, Washington
Sec. 135	Military construction at Adall Naval Air Station, Alaska; Hanscom Air Force Base, Massachusetts; and at Falcon Air Force Station, Colorado

GENERAL PROVISIONS

SEC. 101. None of the funds appropriated in this Act shall be expended for payments under a cost-plus-a-fixed-fee contract for work, where cost estimates exceed $25,000, to be performed within the United States, except Alaska, without the specific approval in writing of the Secretary of Defense setting forth the reasons therefor.

SEC. 102. Funds herein appropriated to the Department of Defense for construction shall be available for hire of passenger motor vehicles.

SEC. 103. Funds appropriated to the Department of Defense for construction may be used for advances to the Federal Highway Administration, Department of Transportation, for the construction of access roads as authorized by section 210 of title 23, United States Code, when projects authorized therein are certified as important to the national defense by the Secretary of Defense.

SEC. 104. None of the funds appropriated in this Act may be used to begin construction of new bases inside the continental United States for which specific appropriations have not been made.

SEC. 105. No part of the funds provided in this Act shall be used for purchase of land or land easements in excess of 100 per centum of the value as determined by the Corps of Engineers or the Naval Facilities Engineering Command, except; (a) where there is a determination of value by a Federal court, or (b) purchases negotiated by the Attorney General or his designee, or (c) where the estimated value is less than $25,000, or (d) as otherwise determined by the Secretary of Defense to be in the public interest.

SEC. 106. None of the funds appropriated in this Act shall be used to (1) acquire land, (2) provide for site preparation, or (3) install utilities for any family housing, except housing for which funds have been made available in annual military construction appropriation Acts.

SEC. 107. None of the funds appropriated in this Act for minor construction may be used to transfer or relocate any activity from one base or installation to another, without prior notification to the Committees on Appropriations.

SEC. 108. No part of the funds appropriated in this Act may be used for the procurement of steel for any construction project or activity for which American steel producers, fabricators, and manufacturers have been denied the opportunity to compete for such steel procurement.

SEC. 109. No part of the funds appropriated in this Act for dredging in the Indian Ocean may be used for the performance of the work by foreign contractors: Provided, That the low responsive and responsible bid of a United States contractor does not exceed the lowest responsive and responsible bid of a foreign contractor by greater than 20 per centum.

SEC. 110. None of the funds available to the Department of Defense for military construction or family housing during the current *fiscal year may be used to pay real property taxes in any foreign nation.*

Sec. 111. No part of the funds appropriated in this Act may be used to pay the compensation of an officer of the Government of the United States or to reimburse a contractor for the employment of a person for work in the continental United States by any such person if such person is an alien who has not been lawfully admitted to the United States.

Sec. 112. The expenditure of any appropriation under this Act for any consulting service through procurement contract, pursuant to 5 U.S.C. 3109, shall be limited to those contracts where such expenditures are a matter of public record and available for public inspection, except where otherwise provided under existing law, or under existing Executive order issued pursuant to existing law.

Sec. 113. None of the funds in this Act may be used to initiate a new installation overseas without prior notification to the Committees on Appropriations.

Sec. 114. None of the funds appropriated in this Act may be obligated for architect and engineer contracts estimated by the Government to exceed $500,000 for projects to be accomplished in Japan or in any NATO member country, unless such contracts are awarded to United States firms or United States firms in joint venture with host nation firms.

Sec. 115. None of the funds appropriated in this Act for military construction in the United States territories and possessions in the Pacific and on Kwajalein Island may be used to award any contract estimated by the Government to exceed $1,000,000 to a foreign contractor: Provided, That this section shall not be applicable to contract awards for which the lowest responsive and responsible bid of a United States contractor exceeds the lowest responsive and responsible bid of a foreign contractor by greater than 20 per centum.

Sec. 116. The Secretary of Defense is to inform the Committees on Appropriations and Committees on Armed Services of the plans and scope of any proposed military exercise involving United States personnel 30 days prior to its occurring, if amounts expended for construction, either temporary or permanent, are anticipated to exceed $100,000.

(TRANSFER OF FUNDS)

Sec. 117. Unexpended balances in the Military Family Housing Management Account established pursuant to section 2831 of title 10, United States Code, as well as any additional amounts which would otherwise be transferred to the Military Family Housing Management Account during fiscal year 1988, shall be transferred to the appropriations for Family Housing provided in this Act, as determined by the Secretary of Defense, based on the sources from which the funds were derived, and shall be available for the same purposes, and for the same time period, as the appropriation to which they have been transferred.

Sec. 118. Not more than 20 per centum of the appropriations in this Act which are limited for obligation during the current fiscal year shall be obligated during the last two months of the fiscal year.

(TRANSFER OF FUNDS)

SEC. 119. Funds appropriated to the Department of Defense for construction in prior years are hereby made available for construction authorized for each such military department by the authorizations enacted into law during the first session of the One Hundredth Congress.

SEC. 120. The Secretary of Defense is to provide the Committees on Appropriations of the Senate and the House of Representatives with a report by February 15, 1988, containing details of the specific actions proposed to be taken by the Department of Defense during fiscal year 1988 to encourage other member nations of the North Atlantic Treaty Organization and Japan to assume a greater share of the common defense burden of such nations and the United States.

SEC. 121. For military construction or family housing projects that are being completed with funds otherwise expired or lapsed for obligation, expired or lapsed funds may be used to pay the cost of associated supervision, inspection, overhead, engineering and design on those projects and on subsequent claims, if any.

SEC. 122. Notwithstanding any other provision of law, the Secretary of the Air Force is required to maintain legislative liaison to the House and Senate Appropriations Subcommittees on Military Construction and budgetary and fiscal management of the Military Construction and Military Family Housing appropriations in a manner identical to the method employed as of September 30, 1986.

SEC. 123. Notwithstanding any other provision of law, including the certification requirements provided in section 210 of title 23, United States Code, the Secretary of Defense is directed to provide for the design of access roads for the New Cumberland Army Depot, Pennsylvania and for the Tobyhanna Army Depot, Pennsylvania, as well as design of replacement bridges at Broad Creek and at Gales Creek on North Carolina Highway 24, within funds provided in this Act.

SEC. 124. None of the funds appropriated in this Act for planning and design activities may be used to initiate design of the Pentagon Annex.

SEC. 125. None of the funds appropriated by this or any other Act for the Department of Defense may be obligated or expended for the National Test Bed Components of the National Test Facility at Falcon Air Station, Colorado, until the Strategic Defense Initiative Organization (SDIO) has begun the development of the Phase One Strategic Defense System (SDS) Architecture and the Follow-on Strategic Defense System Architecture and the Committees on Appropriations of the Senate and the House of Representatives have thereafter received an interim report from SDIO on the Phase One System Architecture and follow-on architecture that the National Test Facility will be testing and evaluating; and until SDIO has provided a detailed report to the Committees on Appropriations of the Senate and the House of Representatives on the capability of the National Test Facility and the other components of the National Test Bed to produce the simulation, evaluation, and demonstration data needed to determine whether a proposed ballistic missile defense system satisfies the criteria of technical feasibility, cost-effectiveness at the margin, and survivability: Provided, That, none of *the funds appropriated by this or any other Act for the National Test Facility or any other components of the National Test Bed may be used to provide any operational battle management, command, control or communications capabilities for an early deployment of a ballistic missile defense system: Provided further, That, the goal of the National Test Facility and other components of the National Test Bed shall be to simulate, evaluate, and demonstrate architectures and technologies that are technically feasible, cost effective at the margin, and survivable.*

SEC. 126. None of the funds appropriated in this Act may be obligated or expended for the purpose of transferring any equipment, operation, or personnel from the Edgewood Arsenal, Maryland, to any other facility during fiscal year 1988.

SEC. 127. In addition to the purposes for which it is now available, the property account established by section 12(b) of the Act of January 2, 1976, as amended (43 U.S.C. 1611 note) shall be available hereafter for purposes involving any public sale of property by any agency of the United States, including the Department of Defense, or any element thereof.

SEC. 128. Of the amounts appropriated by this Act for "Family Housing, Navy and Marine Corps", not to exceed $150,000 shall be available to liquidate obligations incurred for debt payment during fiscal year 1986.

SEC. 129. (a) Subject to subsections (b) through (d), the Secretary of the Army is authorized to convey to the city of New York, New York, all right, title, and interest of the United States in and to its 7 acre parcel of land in the Brooklyn Navy Yard, Brooklyn, New York.

(b) In consideration for the conveyance by the Secretary under subsection (a), the city of New York shall pay to the United States the fair market value, as determined by the Secretary, of the property to be conveyed.

(c) The Secretary shall include in the deed of conveyance a condition that the United States may reenter and use the property without compensation in the event of war or other national emergency declared by the President or Congress.

(d) The Secretary may require such additional terms and conditions under this section as the Secretary considers appropriate to protect the interests of the United States.

SEC. 130. (a) Subject to subsections (b) through (f), the Secretary of the Army (hereinafter in this section referred to as the "Secretary") is authorized to convey to the State of New Jersey (hereinafter in this section referred to as the "State"), and the city of Jersey City, New Jersey (hereinafter in this section referred to as the "City"), all right, title, and interest of the United States in and to a tract of land located in Jersey City, New Jersey, consisting of approximately 40 acres of unimproved real property, comprising a portion of the United States Army Reserve Center, Caven Point, New Jersey.

(b)(1) The conveyance authorized by subsection (a) shall be subject to the following conditions—

(A) that the City convey to the United States a tract of unimproved real property consisting of approximately 9 acres, located immediately adjacent to the Caven Point Army Reserve Center's northeast boundary;

(B) that the State and City stabilize approximately 30 acres of real property west of the proposed highway; and

(C) that the State and City remove and store the existing railroad track.

(2) If the fair market value (as determined by the Secretary) of the real property conveyed by the United States to the State and City under subsection (a) exceeds the sum of fair market values (as determined by the Secretary) of the real property conveyed by the City to the United States and the improvements made by the State and the City, the State and City shall pay the amount of the difference to the Secretary.

(c) The exact acreages and legal description of properties to be conveyed under subsections (a) and (b) shall be determined by surveys that are satisfactory to the Secretary. The cost of any surveys shall be borne by the State and City.

(d) The Secretary may require such additional terms and conditions as the Secretary considers appropriate to carry out the provisions of this section and to protect the interests of the United States.

(e)(1) The Secretary may use any funds paid to the Secretary by the State and City in accordance with subsection (b)(2) to repair, expand, and improve, or replace the United States Army Reserve Center facilities at Caven Point, New Jersey, whichever is most cost-effective.

(2) The Secretary shall deposit any remaining funds into miscellaneous receipts of the Treasury.

(f) This section shall be implemented in accordance with an agreement to be entered into by the Secretary, the State, and the City.

SEC. 131. (a) AUTHORITY TO CONVEY.—Subject to subsections (b) through (f), the Secretary of the Navy may convey to the City of San Diego, California, all right, title, and interest of the United States in and to three parcels of real property (including improvements thereon) comprising approximately 680 acres located in the Mission Trails Regional Park area of the City of San Diego, California.

(b) CONSIDERATION.—In consideration for the conveyance authorized by subsection (a), the City of San Diego shall pay to the United States the fair market value, as determined by the Secretary, of the property to be conveyed by the United States.

(c) USE OF FUNDS.—(1) The Secretary may use proceeds from the sale of property under this section solely for the purpose of acquiring suitable sites for military family housing or constructing military family housing units, or both, in the San Diego area.

(2) Any funds received by the Secretary under this section and not used for the acquisition of a site for military family housing or the construction of military family housing units within 60 months after the receipt of such funds shall be deposited into the general fund of the Treasury.

(d) LEGAL DESCRIPTION OF LAND.—The exact acreages and legal description of the property to be conveyed under this section shall be determined by surveys satisfactory to the Secretary. The cost of any such survey shall be borne by the city.

(e) NOTIFICATION.—The Secretary may not enter into any contract under this section to—

"(1) convey any property;

"(2) acquire a site for military family housing; or

"(3) construct housing,
until after the 21-day period beginning on the date on which the Secretary transmits to the Committees on Armed Services and the Committees on Appropriations of the Senate and House of Representatives a report of the details of the contract.

(f) Additional Terms and Conditions.—The Secretary may require such additional terms and conditions under this section as the Secretary considers appropriate to protect the interest of the United States.

(g) Amendments.—Section 833 of the Military Construction Authorization Act, 1986 (Public Law 99-167), is amended—

(1) in subsection (d)(1), by inserting the following before the period: "or constructing military family housing, or both";

(2) in subsection (d)(2), by striking out "within 30 months" and inserting in lieu thereof "or constructing military family housing within 60 months"; and

(3) by adding at the end the following new subsection:

"(g) Notification.—After the date of the enactment of this subsection, the Secretary may not enter into any contract under this section to—

"(1) convey any property;
"(2) acquire a site for military family housing; or
"(3) construct housing,
until after the 21-day period beginning on the date on which the Secretary transmits to the Committees on Armed Services and the Committees on Appropriations of the Senate and House of Representatives a report of the details of the contract.".

(h) Limitation.—The total number of military family housing units constructed under this section and under section 833 of the Military Construction Authorization Act, 1986 (Public Law 99-167) shall not exceed 300 units.

Sec. 132. (a) Authority To Exchange Real Property.—Subject to subsections (b) through (d), the Secretary of the Army may transfer to the City of Copperas Cove, Texas, approximately 112 acres of real property (including improvements thereon) at Fort Hood, Texas, in exchange for approximately 600 acres of real property (including improvements thereon) which are of at least equal value to the property being transferred by the Secretary.

(b) Description of Real Property.—The exact acreage and legal description of the property to be conveyed under subsection (a) shall be determined by surveys that are satisfactory to the Secretary. The cost of any such survey shall be borne by the City.

(c) Report.—The Secretary may not transfer any property under this section until after the 21-day period beginning on the date on which the Secretary transmits a report of the details of such transfer to the Committees on Armed Services and the Committees on Appropriations of the Senate and the House of Representatives.

(d) Additional Terms and Conditions.—The Secretary may require such additional terms and conditions as the Secretary considers appropriate to protect the interests of the United States in any transfer made under this section.

Sec. 133. (a) Authority to Convey.—Subject to subsection (b), the Secretaries of the Army and Navy may convey, without consider-

ation, to the State of North Carolina all right, title, and interest of the United States in and to—

(1) approximately 51 acres of real property, with improvements thereon, located in the FARTC area of Ft. Bragg, North Carolina; and

(2) approximately 50 acres of real property, with improvements thereon, located in the Montford Point/Camp Johnson area of Camp Lejeune, North Carolina.

(b) CONDITIONS.—(1) The conveyances authorized by subsection (a) shall be subject to the condition that the properties conveyed by the Secretaries be used by the State to establish State veterans' cemeteries.

(2) If either of the properties conveyed pursuant to subsection (a) is not used for the purpose described in paragraph (1), all right, title, and interest in and to such property shall revert at no cost to the United States, which shall have the right of immediate entry thereon.

(c) LEGAL DESCRIPTION OF LAND.—The exact acreage and legal description of the properties to be conveyed under subsection (a) shall be determined by surveys that are satisfactory to the Secretaries. The cost of such surveys shall be borne by the State.

(d) ADDITIONAL TERMS AND CONDITIONS.—The Secretaries may require such other terms and conditions with respect to the conveyances authorized by this section as the Secretaries consider appropriate to protect the interests of the United States.

SEC. 134. Notwithstanding any other provision of this or of any other law, any limitation on the obligation or expenditure of funds appropriated for fiscal year 1987 for military construction for homeporting at Everett, Washington, shall not apply unless such limitation was expressly stated in a law which was enacted on or before September 30, 1987.

SEC. 135. (a) In addition to other military construction projects and land acquisition authorized by any other law for fiscal year 1988—

(1) the Secretary of the Navy may acquire real property and may increase military construction projects at Naval Air Station, Adak, Alaska, in the amount of $20,000,000;

(2) the Secretary of the Air Force may acquire real property and may carry out military construction projects at Hanscom Air Force Base, Massachusetts, in the amount of $15,000,000; and

(3) the Secretary of Defense may acquire real property and may carry out military construction projects at Falcon Air Force Station, Colorado, in the amount of $35,000,000.

(b) Funds are hereby authorized to be appropriated for fiscal year 1988 for the projects and land acquisitions described in subsection (a) of this section. The amount authorized for each such project and land acquisition is the amount listed for each in paragraphs (1), (2) and (3), respectively, of such subsection.

★APPENDIX C

OMB CIRCULAR NO. A-11

Responsibilities for Disclosure with Respect to the Budget

12.9. Responsibilities for disclosure with respect to the budget.

(a) Agency testimony before and communications with Congress on budgetary matters.—The nature and amounts of the President's decisions are confidential and will not be released until the budget is transmitted formally to Congress. The executive branch communications that have led to the budget will not be disclosed either by the agencies or by those who have prepared the budget.

In furnishing information on appropriations and budgetary matters, representatives of agencies should be aware of the limitations on such communications, including the limitation that:

> ". . . An officer or employee of an agency may submit to Congress or a committee of Congress an appropriations estimate or request, a request for an increase in that estimate or request, or a recommendation on meeting the financial needs of the Government only when requested by either House of Congress" (31 U.S.C. 1108(e)).

Furthermore, agency representatives should be aware of restrictions when communications to influence legislation that are not conducted through proper official channels (18 U.S.C. 1913).

Following formal transmittal of the budget, an amendment, or a supplemental appropriation request, agency representatives will be guided by the following policies pertaining to budgetary matters when testifying before any congressional committee or communicating with Members of Congress.

(1) Witnesses will give frank and complete answers to all questions.

(2) Witnesses will avoid volunteering personal opinions that reflect positions inconsistent with the program or appropriation request the President has transmitted to Congress.

(3) If statutory provisions exist for the direct submission of agency budget estimates to Congress, OMB may provide agencies with additional materials supporting the President's budget request to be forwarded by the agency to Congress with agency testimony. Witnesses for such agencies will be prepared to explain the agency submission, the request in the President's budget, and any justification material.

(4) In responding to specific questions on program and appropriation requests, witnesses will refrain from providing plans for the use of appropriations that exceed the President's request. Witnesses typically bear responsibility for the conduct of one or a few programs, whereas the President must weigh carefully all of the needs of the Federal Government, and compare them against each other and against the revenues available to meet such needs. Where appropriate, witnesses should call attention to this difference in scope of responsibility in explaining why it is not proper for them to support efforts to raise appropriations above the amounts requested by the President.

(5) Where there is a request for a written submission that will involve a statement of opinion relating to program and appropriation requests, witnesses will arrange for a reply to be provided through the head of the agency.

(6) Agency representatives should be careful that their communications are not perceived to be an "appropriations estimate or request . . . or an increase in that estimate or request . . ." (31 U.S.C. 1108). Agency representatives are expected to support the President's budgetary decisions and seek adjustments to those decisions through established procedures for budget amendments or supplemental appropriation requests if the agency head determines such action to be necessary.

(b) Clearance of budget related materials for Congress and the media.—Policy consistency is essential among the formal documents of the President's budget, and the various budget-related materials prepared by the agencies for Congress and the media. Clearance of these agency materials by OMB helps achieve that consistency.

Agencies will submit to OMB, for clearance prior to transmittal to congressional committees or individual Members of Congress or their staff, all proposed budget justification materials. Agencies also will submit to OMB for clearance budget-related oversight materials.

This information, including initial budget justifications; testimony before and letters to congressional committees; written responses to congressional inquiries or other materials for the record; materials responding to committee and subcommittee reporting requirements; capability statements; appeal letters; reprogramming requests; related cost information; and budget-related materials provided to other congressional committees, in response to their oversight activities will be provided to OMB in such a manner as to allow OMB five working days to review the material. In exceptional circumstances where the response time to the Congress is very short, agencies may request oral clearance of these materials or make other arrangements with their OMB representatives.

Agencies will provide OMB representatives, immediately after the transmittal of the budget, with a schedule of anticipated congressional reviews of budget materials that require agency oral and written participation. These schedules will be revised whenever appropriate. Schedules will also be submitted to OMB for anticipated reviews of subsequent transmittals of budget requests.

Agencies will also submit to OMB for clearance their proposed press releases relating to the President's budget.

Any questions about coverage of this section, timing, or scope of review should be discussed with the OMB representatives who are normally consulted on budget-related matters.

(c) Clearance of changes in the President's budget.—The prohibition against submissions by agencies to Congress of estimates or requests for appropriations without the approval of the President or request of either House of Congress applies to changes in appropriation language and to changes in the limitations recommended in the budget. When an agency desires to propose such changes, written requests will be presented to OMB (in accordance with section 61).

When it is possible to reduce the amount of an appropriations request before action has been taken by the Appropriations Committee of either House, the head of the agency will inform OMB promptly. If significant changes are planned in the amount requested or the conditions pertaining to a program of the agency without changing proposed appropriations language contained in the budget on which Congress has been requested to act, the agency will inform OMB. OMB will advise the agency as to whether or not a formal transmittal of the change will be made. This procedure applies to appropriations requests, as well as to other estimates; e.g., business-type statements required by the Government Corporation Control Act.

Any decision by an agency head to request restoration of a reduction should be carefully considered, taking into account the reasons for the reduction, the circumstances under which it was made, its significance from the standpoint of the President's program, and other relevant factors.

(d) Information available to the public.—An agency may disclose budgetary records of that agency, if otherwise appropriate, upon a request for such records pursuant to the Freedom of Information Act (FOIA) following the end of the fiscal year to which such information pertains. Although it is not possible to determine merely by the generic category of records whether an agency would be authorized to withhold records requested under the FOIA in every instance, most budgetary documents of an agency that are subject to the FOIA should be exempt from mandatory release pursuant to the provisions of 5 U.S.C. 552(b)(5). An agency should not release such records prior to the expiration of the fiscal year to which such records pertain. Depending upon the nature of the record requested, other exemptions to the FOIA may apply, or the release of records within 5 U.S.C. 552(b)(5) may be inappropriate even after the end of the fiscal year to which the records pertain. Agency heads will be held responsible for determining the propriety of releases of records under the FOIA pertaining to budgetary matters.

Certain agencies headed by a collegial body may be required to hold their meetings open to public observation unless the agency properly determines that the matter to be discussed warrants the closing of those meetings for reasons enumerated in the Government in the Sunshine Act (Public Law 94-409). Some meetings covered by that Act may pertain to budgetary information discussed in this Circular. Although, as with the FOIA, it is not possible to determine merely by the generic category of such information whether such an agency would be authorized to close a particular meeting covered by the Government in the Sunshine Act, the premature disclosure of budgetary information may "be likely to significantly frustrate implementation of proposed agency action" (5 U.S.C. 552b(c)(9)(B), added by section 3(a) of Public Law 94-409). Furthermore, other exemptions from the open meeting requirements of the Act may apply. Such agencies will be held responsible for the propriety of determinations that would lead to the disclosure of this budgetary information.

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